Thurston County Lease and Space Planning

Report #7

Final Report to the Legislature

Recommended 10-Year Facility Development Program

7

W shington State Department of
General Administration

March 2001

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This is the seventh and final report prepared by the Department of General Administration (GA) in response to direction from the 1999 State Legislature to *"...conduct an analysis of future state office space needs in Thurston County, by agency, for the next ten years...determine the inventory of space available and planned...in government and non-government building....and consider the impact on current office space."* (1999 c 379 s942)[1]

In brief, answers to the four questions posed in the appropriation are as follows:

The study uses a 2010 estimate of 800,000 RSF as a planning target.

343,000 RSF will be needed to accommodate agency growth.

More than 1,500,000 RSF of vacant, under construction or planned private development may be available according to local developers.

1. **Office space needs in Thurston County over the next 10 years.** The state will need between 708,000 and 1,383,000 rentable square feet (RSF) to accommodate employment, replace obsolete space and temporarily house agencies while their buildings are being renovated. The study uses a 2010 estimate of 800,000 RSF as a planning target.
2. **Office space needs by agency.** GA conservatively estimates that 343,000 RSF will be needed to accommodate agency growth, based on an agency-by-agency forecast.[2] In addition, agencies will need to replace obsolete space and have space to temporarily house them during major renovations.
3. **The inventory of state and non-state owned space available and planned for the next 10 years.** No new state development has been authorized, and almost no vacant state-owned space is available. More than 1,500,000 RSF of vacant, under construction or planned private development may be available according to local developers.
4. **The impact of future space needs on current office space.** The 800,000 RSF recommended program would result in the state vacating 100,000 RSF of leased space and 57,000 RSF of owned space. No single developer or city would bear the brunt of the vacated obsolete space. Overall, there would be net increases of 477,000 RSF of leased space and 166,000 RSF of owned space.

These four facts lead to the following core question:

How and where should state government be housed in Thurston County over the next 10 years?

This final report contains our conclusions. GA published six preceding reports from September 1999 through October 2000. The first five presented information, analysis and evaluation. Report 6 summarized GA's findings. The following two months were spent with the public, developers, state agencies and local governments to gain feedback and develop consensus approaches, policies and strategies.[3]

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[1] See page 1-1 for full text of enabling legislation.

[2] Agencies forecasted a need for 419,000 RSF to accommodate growth based on 215 RSF/employee. See Report 5, page 75 for agency detail.

[3] See page 1-5 for a summary of these sessions. See Appendix for the full detail of these sessions.

The report recommends:

Conclusion

A balanced program of leasing, lease development and state development to be implemented over the next 10 years. This "Recommended Facility Development Program" will provide 800,000 SF to meet the state's projected needs. New office space will replace obsolete owned and leased space, provide surge space while buildings are being renovated, and accommodate new employees. This development should occur within designated Preferred Development Areas and/or Preferred Leasing Areas.

With this approach, the state will:

- Modify the 1991 goal of 80% owned and 20% leased office space in Thurston County[4] to a more balanced and flexible approach that incorporates the advantages of ownership and leasing when appropriate.[5]
- More effectively coordinate facility planning with cities, state agencies and developers.
- Increase consolidation and co-location.
- Improve building work environment, adaptability to changing technologies and tenant needs, and increase economy throughout the building's service life.[6]
- Work with state landlords to renovate and backfill vacated buildings that meet state needs.
- Locate, develop and manage owned and leased properties to achieve local and state transportation demand management and commute trip reduction objectives.[7]
- Apply the Joint Legislative Audit and Review Committee (JLARC) financial comparison model and other life cycle cost and budget analysis tools to state office decision-making.

The study's appropriation required GA to "consult with state agencies, private developers and building owners" in researching and developing plans and options for meeting state government office needs. GA also asked local government, citizens of the Olympia/Thurston County region and citizens from across the state to provide input in this fact-finding and planning work.

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[4] 1991 State Master Plan for the Capitol, page 88.

[5] State owned buildings would be located within Preferred Development Areas, and leased buildings within Preferred Development Areas or Preferred Leasing Areas. See Report 5 beginning on page 14 for map boundaries.

[6] See page 2-12 for more details on High Performance Standards for new state offices.

[7] See page 2-26 for more discussion of Transportation Demand Management.

Stakeholder Workshops

Six workshops were held with stakeholders to review the report findings and to solicit input and feedback. The following themes characterize each group's input:[8]

Stakeholder Themes	Public	Local Gov't	State Agencies	Developers & Lessors
Reduce/control impacts of new developments on communities	•	•		
Utilize Preferred Development Areas and Preferred Leasing Areas (PDA/PLA)	•	•	•	
Pay fair share of local costs	•	•		•
Build better quality buildings	•	•	•	
Plan, coordinate and communicate better	•	•	•	•
Encourage co-location and consolidation	•	•	•	•
Provide quality work environment	•		•	
Minimize impact of vacant buildings	•	•		•
Allow market place to operate without restrictions				•
Provide more predictability and consistency	•	•	•	•
Improve public access	•	•	•	

Recommended Facility Development Program: Combines the best features of past approaches. The program relies on the private sector to develop and lease small and moderate size office buildings, while the state develops larger new buildings.

Three alternative approaches to state office development have been identified as a result of the analysis, evaluation and public input. Two of these alternatives are based on past methods of facility development, and the third is a new approach that capitalizes on the advantages offered by the other two methods.

1. **Current Leasing Practice**: Continue current practice of lease development by each agency on an as-needed basis, resulting in many smaller leased office buildings throughout the County.
2. **Master Planned State Construction**: Resume comprehensive state public works construction program to develop large new buildings, similar to the 1989 East Campus Plus program.
3. **Recommended Facility Development Program**: Combines the best features of the two preceding approaches. The program relies on the private sector to develop and lease small and moderate size office buildings, while the state develops larger new buildings.

[8] See Appendix of Report 7 for more details.

The following chart displays the negative, neutral and positive benefits of each alternative facility development approach in areas of most importance to stakeholders:

Stakeholder Themes

Stakeholder Themes[9]	Current Leasing Practice	Master Planned Construction	Recommended Facility Development Program
Achieves co-location and consolidation	○	●	●
Improves building performance and quality	○	●	●
Meets immediate agency needs	●	◒	●
Meets long term agency needs	○	●	●
Minimizes impacts on lessors	●	○	●
Benefits local community	◒	●	●
Minimizes initial state costs	●	○	◒
Minimizes life cycle state costs	○	●	●
Enables decision making based on JLARC and other life-cycle cost methods	○	●	●
Facilitates transportation demand management	○	●	●

○ negative ◒ neutral ● positive

[9] A detailed description of the themes and issues is located in Appendix.]

Action Requested of the Legislature

In order to fully implement the study recommendations, the Legislature should take the following actions:

Specific Legislative Actions

1. **Adopt a 10-year office renovation plan in the capital budget.**
2. **Appropriate 01-03 biennium funds for the following projects:**
   a. Continuation of OB-2 Renovation
   b. Continuation of DOT Building Renovation
   c. Beginning of Legislative Building Renovation
3. **Adopt a 10-year office development plan in the capital budget.**
4. **Appropriate 01-03 biennium funds for the following:**
   a. Project planning for DOH in the operating budget for a new leased building to be started in 2002.
   b. Additional GA staff for long range planning.
   c. Project planning for a Small Agencies Building to be considered by the 2003 Legislature.

Other Legislative Support

1. **Direct GA to present 2002 Legislative proposals for the following:**
   a. Eliminate "free" parking without penalizing state employees.
   b. Provide state agencies the authority for equivalent value exchanges similar to existing WSDOT authority.
   c. Establish a regular inspection program of owned and leased buildings in order to assess the need for rehabilitation or improvement.
2. **Direct state agencies to implement shared zone parking and a single coordinated Transportation Management/Commute Trip Reduction program at existing office work sites.**
3. **Support Executive initiatives to:**
   a. Implement High Performance Building standards for state leased and owned offices.
   b. Extend planning beyond 10 years.
   c. Coordinate planning for non-office facilities.
   d. Develop coordinated employment forecasts.
   e. Develop self-financing mechanisms for agency planning.
   f. Provide financial incentives to employees who use other transportation alternative than driving to work alone.
4. **Support a joint DNR/GA analysis of the Capitol Building Trust and implement its recommendations.**

Implementation

If the Recommendations are fully implemented, the following results will be achieved:

1. **Clear Legislative Direction**. Adoption of comprehensive 10-year renovation and new development plans in the capital budget will allow state agencies to plan more efficiently. New long-range planning and development staff will help agencies achieve this goal.

   Legislative continuity can be provided by:

   - Laying the groundwork during the 2001 session for legislative proposals to be considered in 2002.
   - Providing clear direction to state agencies about TDM and CTR expectations.
   - Supporting planned actions by the Executive branch in the areas of higher building standards; long range, coordinated planning; and financing agency planning.
   - Supporting joint DNR/GA analysis of the Capitol Building Trust.

2. **Better State Office Buildings**. Executive initiatives to lease or develop better state offices will create greater public value and benefit by more effectively:

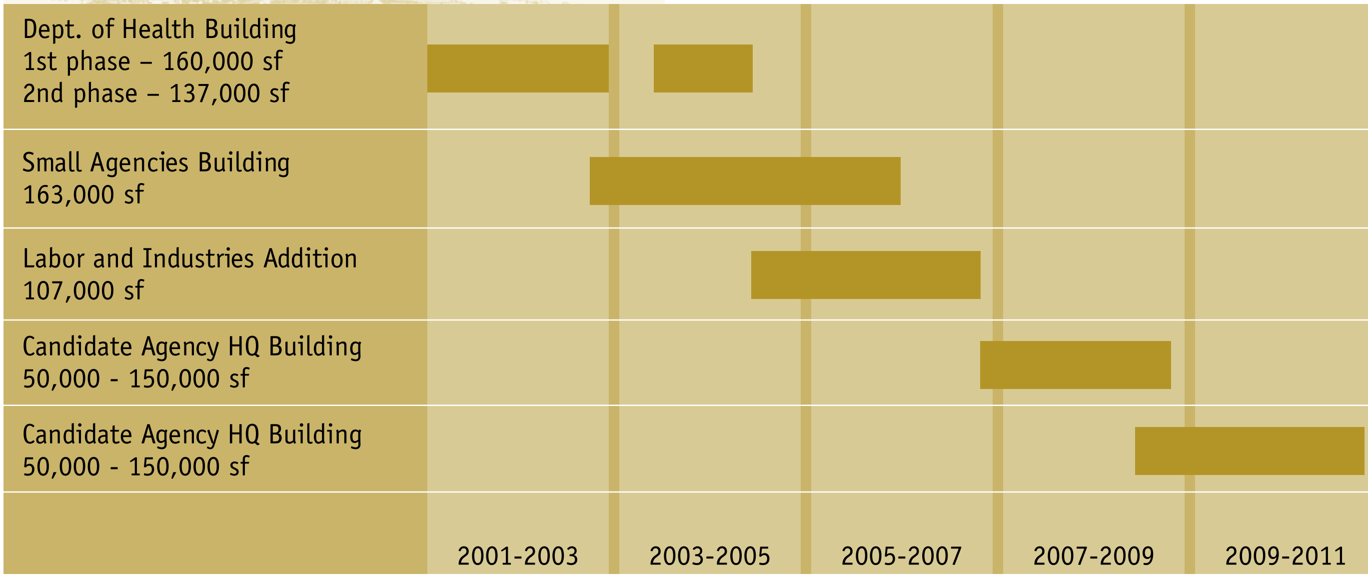
   - Improving citizen access and services.
   - Minimizing state and local long-term costs.
   - Improving agency efficiencies.
   - Providing more productive work environments.

3. **Improved Community Development**. Coordinated implementation of the Recommended Program will support a pattern of community development that will improve the urban environment by encouraging:

   - Less sprawl.
   - Better land use.
   - Fewer impacts on transportation systems and other elements of public infrastructure.

These results can only be achieved if both the Legislative and Executive branches take action. The alternative is less Legislative and Executive control, more agency inefficiency, poorer customer service, lower building quality, sprawl, and a degradation of the urban environment.

New Facilities Development Plan



Questions and Answers

GA's Recommended 10-Year Facility Development Program

What is the recommended plan?
The "Recommended Facility Development Program" will produce the estimated 800,000 square feet of headquarters office space that the state will need to replace obsolete leased and owned space, to provide surge space while other buildings are being renovated, and to accommodate new employees. One or two new moderate-sized headquarters office projects will be built every two years over the next 10 years as part of a balanced program of leasing, lease development and state development. Projects will be completed within designated Preferred Development Areas and/or Preferred Leasing Areas.

How does this plan compare to the past 10 years of office development?
This plan is less than 40 percent of the space and one-third the number of office buildings built during 1990-2000. During the past 10 years, private developers and the state built over 2 million square feet of new offices. Over 1 million square feet, consisting of 21 new or converted office buildings, was privately developed. The other half, another 1 million square feet consisting of three large and two small historic buildings, was state built or purchased. The state now owns 3.0 million and leases 2.7 million square feet of office space in Thurston County.

This plan is less than 40 percent of the space and one-third the number of office buildings built during 1990-2000.

What if the state's needs are different? If the state's 10-year need is less than 800,000 square feet, the proposed 10-year schedule will be extended or fewer buildings will be developed. If more space is needed, the schedule will be accelerated or the size of the buildings increased, assuming funding is available.

If the state's 10-year need is less than 800,000 square feet, the proposed 10-year schedule will be extended or fewer buildings will be developed. If more space is needed, the schedule will be accelerated or the size of the buildings increased.

Is this need realistic? This need for headquarters office space is based on some growth in state employment over 10 years, the realities of limited state resources, the impact of new technology and telecommuting on the office, the effect of good office space on employee productivity, and the importance of replacing obsolete buildings.

Which agencies will be affected by the plan? Priority agencies for this 10-year development program are Department of Health, Parks and Recreation, Labor and Industries, Washington State Patrol, and very small agencies to be co-located. Priority agencies for backfill are Administrator for the Courts, Revenue, and Office of Administrative Hearings.

Priority agencies for this 10-year development program are Department of Health, Parks and Recreation, Labor and Industries, Washington State Patrol, and very small agencies to be co-located.

How will presently occupied buildings be affected by the new projects?
The program also proposes a coordinated approach to renovate and then backfill those vacated leased and owned offices that are suitable for long term occupancy. This will allow additional agency consolidation or co-location while reducing the impact of vacant privately owned office buildings that may result from new construction.

Actions Planned by General Administration

GA will implement the 32 actions summarized below upon adoption of the Recommended Facility Development Program by the Legislature.

Planned General Administration Actions

Relationships

1. Continue planning with state agencies, local government, private landlords and developers, the community, and legislative and OFM staff.

Existing Owned and Leased Facilities Management

2. Develop 10 year plans to rehabilitate older state owned and leased office buildings, working closely with building owners and state tenants.
3. Substantially reduce the number of leases of less than 5,000 square feet as leases expire.
4. Continue moving headquarters operations out of shopping centers into more suitable office building locations.
5. Develop a plan to swap leases between agencies to achieve a higher degree of agency consolidation and co-location.
6. Notify property owners at the earliest possible time when the state does not intend to renew its lease.
7. Implement a priority leasing program to re-lease space vacated when state agencies consolidate.
8. Complete a review of the state's lease document to ensure that the obligations and responsibilities of each party are clear.

New Facilities Development

9. Develop leasing proposals for terms beyond 10 years when such leases are cost effective.
10. Modify the lease development process to give the state more control of the design and development of the office building.
11. Complete a new *Major Lease Request* process.
12. Work with local governments to jointly develop office support facilities such as regional storm water utilities and municipal parking garages.
13. Develop coordinated OFM/GA/Legislative state employment and space forecasts.
14. Consolidate space requests into fewer solicitations, resulting in larger, multi-agency office buildings.
15. Develop "trigger point" criteria to identify when to consolidate facilities and when to purchase leased buildings.

Performance and Quality Standards

16. Adopt common standards for new owned and leased facilities over 50,000 square feet.
17. Improve the "civic" appearance of new state leased buildings through coordinated design reviews.
18. Require conceptual campus site plans during pre-design or procurement decisions.
19. Implement new building space standards.
20. Develop improved life cycle cost and budget impact models.
21. Apply JLARC *Lease Versus Ownership* financial model and other life cycle cost and budget analysis tools to state office building decision-making. Use state cost experience and standards, and include periods of analysis that extend beyond the typical 20-25 year debt terms to a longer planning horizon corresponding to a building's full service life.
22. Adopt new initial and recurring cost standards.
23. Adopt new technical and performance standards for technology, security, access, utilities, health, land use, and building service life.
24. Provide pre-lease design review services if requested by developers who intend to seek city site plan approval or to speculatively build office buildings.

State Facilities Siting

25. Implement Preferred Development Area and Preferred Leasing Area location policy with GA procedures preliminarily adopted in August 2000.
26. Develop standardized state office site evaluation and location criteria.

Cost of High Performance Buildings

27. Continue to pursue development partnerships with private businesses and local governments in order to keep state costs as low as possible.
28. Adopt policies so that the state does not "collateralize" private office buildings financing.

Transportation Demand Management (TDM)

29. Integrate TDM plans with facility site planning in conjunction with cities and property owners.
30. Adopt TDM and parking performance standards for new owned and leased facilities.
31. Adopt building design standards that encourage the most intensive use of public transportation and other alternative transportation modes.
32. Require shared zone parking and a single Commute Trip Reduction (CTR) program at all **new** multi-agency state-owned and leased work sites in Thurston County.

Background

Study Approach

Summary of Reports

Public and Stakeholder Participation

Guiding Principles and Values

1

The Legislative Building and Capitol Campus in this view down the north diagonal.

Study Approach

GA used an iterative and interactive approach to analyze state office needs in responding to 1999 legislative direction.[1] The 1999 legislative direction grew out of the following concerns:

- The principles of the *Master Plan for the Capitol of the State of Washington* (1991 Master Plan) were not being followed.
- The impacts on local government and communities of state-initiated private development were not sufficiently coordinated.
- A long-term state policy on leasing facilities had not yet been developed.
- Larger new leases were being signed without sufficient legislative and executive budget review.
- The capacity of the private sector to meet the state's office needs was not being fully considered.

"If all things are equal, a building paying property tax would no doubt be preferable. However, perhaps more important than the lease vs. own issue, is that the development be concentrated in designated areas, be of high quality, good urban design, have access to local services and amenities, and preferably a mixed use development."

– City of Olympia

The first phase of this study determined its scope, which, following extensive discussion with Office of Financial Management (OFM) and legislative staff, expanded the study effort beyond the original legislative direction. This dialogue resulted in a detailed study plan with deliverables.

GA staff[2] did the study and produced the six reports summarized in Sections II and III in this chapter. Results of concurrent consultant-supported planning by the Department of Health and state transportation agencies were incorporated in the first five GA reports.

The section ***Guiding Principles and Values*** on Page 1-6, summarizes the principles and values that evolved out of the study. These principles and values ultimately shaped the Recommended Facility Development Program and its supporting policies.

The principles and values that evolved out of this study…ultimately shaped the Recommended Facility Development Program and its supporting policies.

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[1] The 1999 Legislature appropriated $100,000 to the Department of General Administration (GA) and directed GA to complete a Thurston County 10-year space-needs study by December 2000 (1999 c 379 s 942). The capital budget stated:

> …conduct an analysis of future state office space needs in Thurston county, by agency, for the next ten years. The department shall consult with state agencies, private developers, and building owners to determine the inventory of space available and planned over the next ten years in government and non-government buildings. Planning for state office expansion shall consider the impact on current office space.

[2] Three GA divisions plus the director's office lent staff to this study effort because funds appropriated for the study limited the use of consultants.

This is the seventh and final report of the study. The previous six reports are briefly summarized below.

Reports 1 – 5: The Foundation

The first five reports served as the foundation for study conclusions and recommendations.

The first five reports assembled information intended to serve as the foundation for study conclusions and recommendations.

Report 1 summarizes legislative direction from existing law and the 99-01 Capital, Operating and Transportation budgets. The report gathers relevant reference materials. It also details GA's plan for assessing facility needs, defines facility performance and cost standards, reviews current state management practices, and develops improved ways to plan for new leased and owned office space.

Report 2 identifies potential Olympia and Tumwater sites that could meet the needs of new state projects. The report also lists special requirements associated with developing those sites, including potential mitigation, and reviews how project options conform to the 1991 Master Plan. In addition, the report provides background on state procurement practices, the JLARC lease versus ownership cost model, and building standards.

Report 3 provides additional lease and space planning information, including more specific information regarding space needs for five large agencies. It lays the groundwork for decisions in six policy areas: facility costs, leasing versus owning, growth, location of state offices in preferred areas, technical and performance standards, and executive and legislative decision making.

Report 4 summarizes how state government currently plans new leased or owned office space.

Report 5 updates planning and analysis that occurred from June through September and summarizes planning and policy direction provided to GA by the State Capitol Committee. In addition, the report summarizes policies, planning and design principles from the 1991 Master Plan that are, in almost every respect, still applicable today. The current planning effort builds on those tested concepts.

Report 6: A Preliminary Summary for Public and Stakeholder Comment

Report 6 is a summary of Reports 1 through 5. It summarizes information, analysis and work with state agencies, local government and the state's landlords. This report helped stakeholders focus on key policy areas and strategies[3] and comment on 32 key questions regarding housing state government in Thurston County over the next 10 years.[4]

Four study conclusions were identified in Report 6:

1. State facilities are not ends in themselves, but rather means to providing quality services to citizens and to operating government efficiently.
2. Value, affordability and the wise use of taxpayer dollars must be considered in facility-related decisions.
3. The state will need to rehabilitate its older office buildings, expand office space on the Capitol Campus and/or develop additional owned or leased office space off campus.
4. Better coordinated planning will benefit state agencies, our communities and private developers.

Report 6 helped stakeholders focus on key policy areas and strategies and comment on 32 key questions regarding state offices in Thurston County.

State facilities are not ends in themselves, but rather means to providing quality services to citizens and to operating government efficiently.

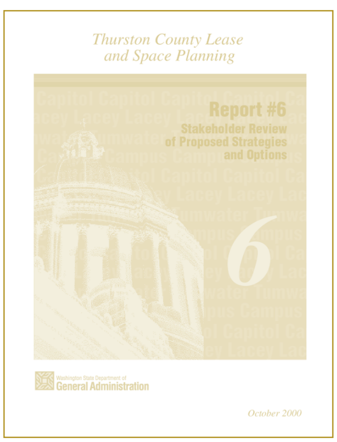
Better coordinated planning will benefit state agencies, our communities and private developers.

Better planning – long range – may help get better lease rates.

– Developers Forum

The Human Factor:

Many Thurston County individuals, businesses, agencies and political subdivisions are affected by state facilities. State offices have a significant impact on customer service and agency operational efficiency. State office buildings affect the ways our cities look, work and develop. They affect community residents in their commutes, their neighborhoods and their businesses. Facility decisions have an impact on taxes. The state's private landlords can be severely impacted by state decisions to vacate their buildings.



[3] The full text of all six reports is available through the Internet and on compact disk. For copies, contact Kathleen Hoff, at 902-7205 or by e-mail: khoff@ga.wa.gov.

[4] The following is an example of one of these 32 questions. "Regarding preferences for different approaches in meeting state office needs, should the state meet its facility needs as it did in 1989 with a comprehensive planned program of state construction? Or with as-needed lease development? Or should the state develop a different approach to meet its future office space needs?"

Legislative direction required that GA "consult with state agencies, private developers, and building owners" in researching and developing plans and options for meeting state government's office needs. GA also asked local government, citizens of the greater Olympia/Thurston County region and citizens from across the state to provide input in this fact-finding and planning work.

Report 6 was designed and written specifically for the purpose of gathering input from the identified stakeholder groups.

Stakeholder Forums

Six two-hour workshops were held, hosting a total of 127 participants.

Six two-hour workshops were held to review the report findings and to solicit input and feedback. With the exception of two briefings for legislative and OFM staff, all of the meetings used a highly interactive format to maximize discussion with and among workshop participants. Following an initial presentation, workshop participants were separated into small discussion groups to focus on a set of questions pertaining to a specific issue area. Oral and written input was recorded and notes from each meeting were shared with all other stakeholder groups. All invitees and participants were also encouraged to contribute comments in writing, by phone, or by e-mail.

Stakeholder participation was very good. These workshops hosted a total of 127 participants, including nine legislative and OFM staff, 11 local government officials, 45 state agency employees representing 26 agencies, 26 private developers and lessors, and 36 other citizens. Over ten individuals chose to respond in writing or by telephone.

The workshop schedule was as follows:

October 18 .... Legislative and OFM Staff
October 23 .... Local Government
October 30 .... State Agencies, Meeting A
November 2 .... State Agencies, Meeting B
November 8 .... Private Developers and Lessors
November 14 .... Public Forum A
November 16 .... Public Forum B
November 28 .... Legislative and Office of Financial Management Staff; Follow up Meeting

Participants were informed of these workshops through direct mailings to over 1500 households, businesses, service organizations, community groups, neighborhood associations, chambers of commerce, and community centers. In addition, public service announcements on local radio stations and press releases were issued, including a press release for media outside Thurston County.

Nature and Summary of Input Received from Stakeholder Forums[5]

Public Citizen Input: The state should be mindful of both the contributions and the impacts of state facilities on the community: continue use of preferred development areas, manage growth to benefit the community, assist in meeting transit goals, and contribute to the economy. Facilities should be attractive and advantageous for state employees. The state should pay a fair share of impact costs through taxes and/or impact fees. Invest in quality facilities. Leasing or owning is not the point: quality buildings that contribute to the community while meeting the state's needs are the objective.

Local Government Themes: The state should follow through on its plans and help manage growth by directing development into preferred areas. Communicate early and thoroughly with local government about state intentions and actions. Initiate quality construction that makes long-term contribution to the community and that pays a fair share of cost impact on community infrastructure and services.

State Agency Themes: The state should do a better job of long-term planning by providing coordination necessary to co-locate and consolidate like functions where practical and maintaining commitment to master planning and to preferred development/leasing areas. The state should make greater initial investments for long-term gains and better quality buildings, but it should also ensure the same base-line standards whether leased or owned.

Developers and Lessors Themes: Leased space is more economical and can provide greater flexibility in meeting state facility needs. As the major employer in Thurston County, the state should try to minimize impacts to private developers when vacating space. Leased development is supportive of communities by keeping property on tax rolls, but it is market-driven by nature and not conducive to the limitations imposed by Preferred Leasing Areas.

Quality buildings that contribute to the community while meeting the state's needs are the objective.

– Public Forum

The state should follow through on its plans and help manage growth by directing development into preferred areas.

– Local Government Forum

State should make greater initial investments for long-term gains and better quality buildings.

– State Agency Forum

Leased space is more economical and can provide greater flexibility in meeting state facility needs.

– Developer Forum

"Adoption of this plan will assist in planning our communities…it is a positive step in providing predicatability for future development sites."

– City of Lacey

"We wish to applaud the spirit of concern and co-operation you displayed during the arduous process of gathering, analyzing and promulgating the data presented in the Report. We believe the methodology employed, the sensitivity embraced, and the sense of fairness brought to the discussions were exemplary and deserve wider recognition than we can give."

– GBOLA (Government Building Owners & Lessors Assoc.)

[5] A detailed description of the themes and issues is located in the Appendix.

Guiding Principles and Values

This section has three parts. ***Guiding Principles*** describes five organizing principles that evolved throughout the study and which shaped the recommended Facility Development program and its supporting policies. The second section, ***Different Perspectives on Space Planning Values***, discusses values on which stakeholders have different perspectives. The third, ***Balanced Decision-Making***, as the title implies, discusses combining these guiding principles and values with other relevant quantitative and qualitative factors in facility-related decisions.

Guiding Principles

The following principles evolved as GA's planning team prepared the first six reports:

Previous Capitol Master Plans provide a valuable foundation for the study

The state's approach should minimize the number of new state office buildings and amount of new state office space.

The state needs both owned and leased office space.

State office standards must be cost effective and optimize the use of taxpayer dollars

1. Previous Capitol Master Plans[3] provide a valuable foundation for the study. The values and guiding principles in those master plans are to:
   - Encourage efficiency and maximize flexibility.
   - Ensure the stewardship of resources.
   - Provide accessibility on a human scale.
   - Value the community and public.
   - Value the environment and open space.
   - Respect the importance and stature of state government facilities because they represent state government.
2. The state's approach should minimize the number of new state office buildings and amount of new state office space.
3. The state needs both owned and leased office space because:
   - Agencies have different needs.
   - Having both ownership options and leasing options available creates competition.
   - Having both options provides agencies more choices for meeting business and customer service requirements, minimizing costs, and being confident that building performance is not compromised over the building's life.
4. Any change to state office standards must be cost effective and optimize the use of taxpayer dollars.
5. When deciding how to provide facilities to meet program needs, agencies should consider the following:
   - Public and customer service requirements.
   - Agency business needs, including required building performance and location.
   - Availability of funding, short and long term budget impacts, federal funding restrictions, and possible savings that can be gained by co-location or consolidation.
   - Required control over the size, quality, and design of leased space.
   - Effect of an increasing number of locations on operational efficiencies and duplication of services, staff and equipment, and confusion caused for agency customers.

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[3] See Report 5, page 9.

- Amount and length of time that new space is needed, flexibility needed to accommodate widely fluctuating space needs, impending facility obsolescence, and possibility that location of facility is likely to change because of agency program changes.
- Traffic problems, parking shortages and community impacts created by multiple state agency locations.

Different Perspectives on Facility Planning Values

Previous planning and master plans were values-based, whether those values were directly articulated or inferred. Some values were based on unifying visions, such as those of Wilder and White, and the Olmsted Brothers. Some values were based on economic considerations, such as the 1989 East Campus Plus program. Still other plans responded to values based on when they were developed, such as the 1991 Master Plan that dealt with difficult choices of transportation and land use at a time of rapid growth.

State planning values are a cornerstone to this plan that will direct our resources and energy when implementing a facility development program.

Clarifying state planning values lays a cornerstone to this plan that will direct our resources and energy when implementing a facility development program. During the entire study process, and especially during the final stakeholder phase, we worked to understand differing values that should be considered when managing and developing state facilities in Thurston County.

State needs to be in a strong leadership role (e.g., planning with developers) – not just reacting to market forces

– Local Government

There is agreement among stakeholders and the public that the following values should guide state planning and development:

- Making the best possible use of existing owned and leased space before developing new space.
- Managing space for optimal customer service delivery and agency performance.
- Minimizing state costs.
- Providing productive work environments for public employees.
- Using a mix of owned and leased space.
- Maintaining high facility performance and quality standards.
- Working closely with all affected stakeholders.
- Maintaining a quality urban environment.
- Using land appropriately.
- Minimizing impacts on local transportation systems.

The benefits of cost-effective long range planning will pay dividends in greater certainty, by promoting sounder decisions and improved facility quality

The use of Preferred Development Areas and Preferred Leasing Areas would benefit the state and the communities without adding extra costs.

A higher quality work environment would positively affect productivity.

However, questions were raised about the following critical values:

To plan or not to plan: Should the state do comprehensive planning for future space needs or should the state rely on the marketplace to respond as needs arise? Stakeholders agreed that with a planned approach, resources can be set aside in advance of need, life-cycle decisions can be made, effective coordination with cities is enhanced, and objectives such as TDM can be furthered. They also agreed that with "as-needed leasing" there is no planning expense and market competition is most intense.

Clarifying this value statement, the study concludes that the benefits of cost-effective long range planning will pay dividends in greater certainty, by promoting sounder decisions and improved facility quality.

Preferred Development and Leasing Areas or anywhere zoning allows: Should state offices be clustered in Preferred Development and Preferred Leasing Areas so that services and impacts could be better managed or should the marketplace be allowed to determine appropriate office locations?

Clarifying this value statement, the study concludes that the use of Preferred Development Areas and Preferred Leasing Areas would benefit the state and the communities without adding extra costs.

Who pays and how much: Is it solely a city's responsibility to manage and impose fees on development? Or should cities, builders and occupiers such as the state all share in the management of community impact to a degree greater than just letting the market determine the best site for construction?

Clarifying this value statement, the study concludes that the current system was operating satisfactorily, but that changes based on changing conditions might be necessary in the future.

What type of work environment will make state employees most productive: Should the quality of the work environment be improved for state workers to make them more productive even though the benefits of facility improvement are only partially measurable?[7]

Clarifying this value statement, the study concludes that a higher quality work environment would positively affect productivity.

A summary of stakeholder differences is noted on the chart on page 2 of the Executive Summary. The following section provides a more detailed summary, and a complete description is presented in the appendices.

[7] See Chapter 2 for a more complete discussion of life cycle costs and productivity.

A Balanced Decision-Making Approach

A general theme of this study is that in order to reach sound decisions that yield long-term benefits, the state needs to balance decision-making by integrating our guiding principles and values into other facilities objectives. The model shown below conceptualizes this integrated process to be used when making a location decision. The model is also applicable to other facility-related decisions.

The following questions illustrate how such a model illuminates a facility decision.

- **Customers and constituents** – How should our facilities support our customers? How can they maximize accessibility to services and workplaces?
- **Financial and Social Cost** – How shall we minimize facility-related life cycle costs to the state and society? How do our facility decisions affect public infrastructure and the environment?
- **Learning and Growth** – How will our facilities help us sustain state employees' ability to change and improve?
- **Value and Benefit** – What public benefits must our facilities help create? How do our facilities work in concert with our local community? How can they maximize effectiveness of public employees?
- **Internal Business Process** – To satisfy our customers, what business processes must our facilities help us excel at?

The state needs to balance decision-making by integrating our guiding principles and values into other facilities objectives.

Typically, not all criteria can be met simultaneously by a single choice to an optimal level. There usually needs to be balancing trade-offs where not all factors are treated equally.

These guiding principles, values and balanced decision-making factors are applied in Chapter 2 in addressing the four-part legislative assignment, as well as in the Recommended Facility Development Program, Chapter 3.

"The state should not only designate preferred development and leasing areas but should assure they are compact enough and have sufficient development to meet the related policies of pedestrian focus and commute trip reduction."

– Jerry Parker

"Better" buildings will reduce state costs over the long run.

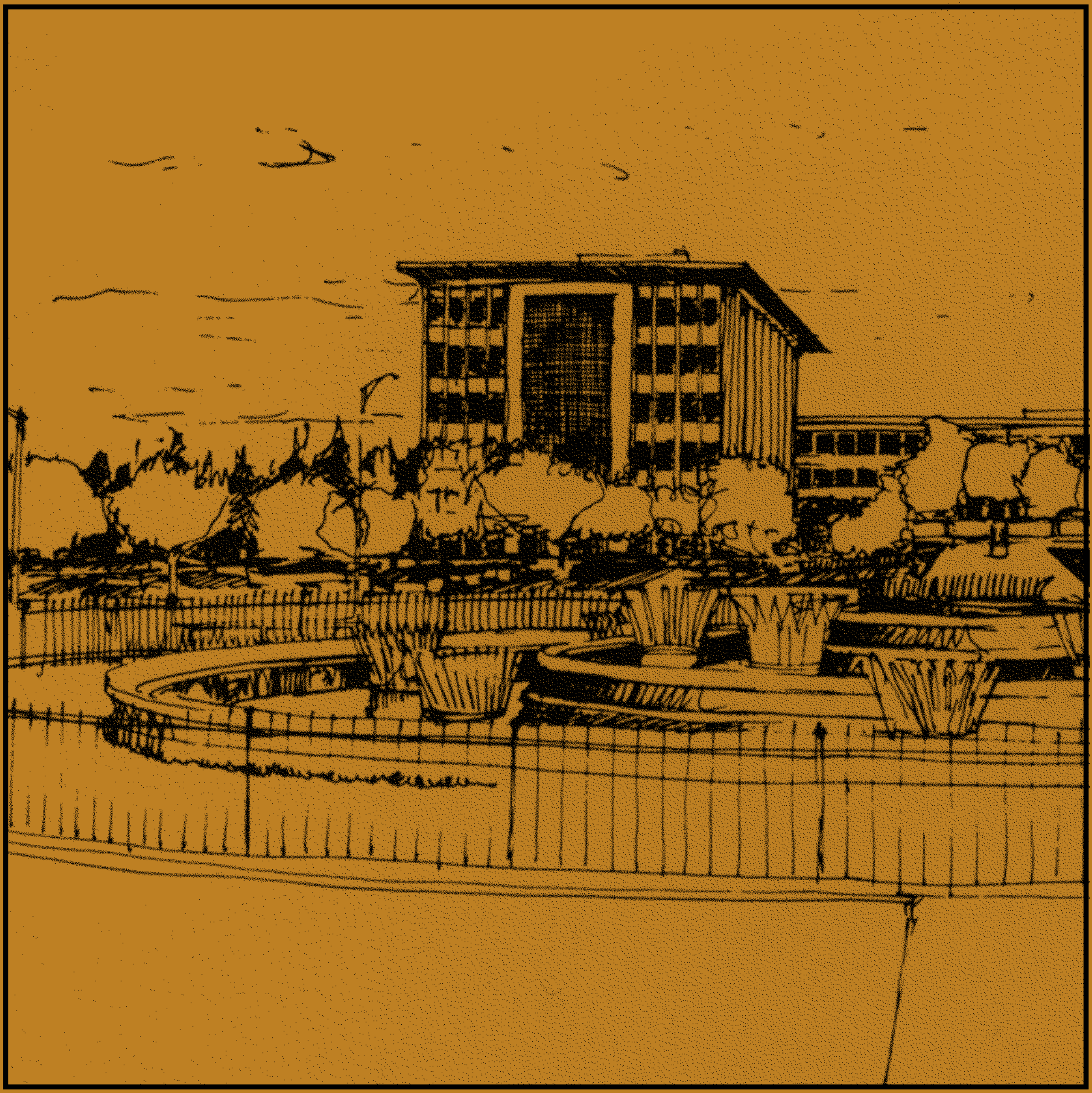
– Agency Forums

Policy Framework: Findings and Conclusions

Study Deliverables

Policy Framework

2



The Highways-Licenses Building is in this view east across the Tivoli Fountain

The 1999 Legislature directed GA to conduct "…an analysis of state office needs in Thurston County…" and to provide four pieces of information. GA's response is summarized below.

GA developed a set of guiding principles and values (as described in Chapter 1) in analyzing the study data and then organized the data into a "policy framework" consisting of six policies. This policy framework is used to present the study's findings in Section II.

The Legislature specifically requested GA to:

- Determine future office needs in Thurston County over the next ten years;
- Identify these office needs by agency;
- Identify the inventory of state and privately-owned space available and planned for the next 10 years in consultation with state agencies, private developers and building owners;
- Consider the impact of future office space needs on current office space.

Office Space Needs in Thurston County over the Next 10 Years

The state will need between 708,000 and 1,383,000 rentable square feet (RSF) of new office space. For planning purposes, this study uses a 2010 estimate of 800,000 RSF.

This additional space is needed to:

- Accommodate growth in state employment (343,000 RSF).
- Replace functionally or operationally obsolete space (157,000 RSF).
- House state agencies while obsolete space (300,000 RSF) is upgraded ("surge space").

Office Space Needs by Agency

An agency-by-agency forecast indicates that state agencies will require 419,300 RSF through the year 2010 to accommodate growth (based on an average of 215 RSF per worker).[1] This forecast does not include 457,000 RSF of replacement or surge space identified above. GA's 800,000 RSF planning estimate has an employment growth component of 343,000 RSF as noted above that is 82 percent of the agency-level forecast.

Between 708,000 and 1,383,000 rentable square feet of new space will be needed over the next ten years.

[1] Report 5, beginning on page 76, contains the agency forecasts of additional space needs to the year 2010 based on staff growth. Agencies projected an annual compounded staff increase of 0.97%. Agency estimates are slightly higher than GA's estimate for staff growth, but fall within GA's forecast range of between 251,702 and 926,190 RSF for space to support staff growth.

10 Year Inventory of State and Privately-owned Space

No new state-owned development has been authorized, and almost no state space is vacant. On the other hand, more than 1.5 million RSF of current or proposed private development will become available as indicated in Figure 1.[2]

Figure 1. **Office Buildings: Planned, Under Construction or Vacant**

	State Owned		Privately Owned	
City	**Number**	**RSF**	**Number**	**RSF**
Lacey	0	0	2	281,500
Olympia	2	1,225	1	105,618
Tumwater	0	0	10	1,164,155
Total	**2**	**1,225**	**13**	**1,551,273**

Impact of Future Space Needs on Current Office Space.

This program's net impact on existing owned and leased office space is outlined in Figure 2, if the 800,000 RSF Recommended Facilities Development Program outlined in Chapter 3 is adopted.

Figure 2. **Impact of Future Space Needs**

New and surge space needed	643,000	RSF
Replacement for owned space to be vacated	57,000	RSF
Replacement for leased space to be vacated	100,000	RSF
Total New Acquisitions	**800,000**	**RSF**
Proposed Facility Development Plan Additions		
Additions to owned space inventory	223,000	RSF
Additions to leased space inventory	577,000	RSF
Total New Acquisitions	**800,000**	**RSF**
Net Impact on Owned and Leased Inventory		
Net impact on leased space (577,000 - 100,000)	477,000	RSF
Additions to owned space inventory (223,000 - 57,000)	166,000	RSF
Total Net Additions	**643,000**	**RSF**

The state will have fluctuating biennium-to-biennium needs resulting from temporary relocations during renovations and movement from obsolete space into new permanent space. The program anticipates a net increase of 477,000 RSF of privately developed space over 10 years and expects to permanently vacate a total of 100,000 RSF of leased space. No single lessor or city will bear the brunt of the impact of this vacated space.

[2] Page 2-11 of this report describes current or proposed private development.

Policies and strategies from the 1991 Master Plan, current law and budget provisos, findings and conclusions from this study, and ideas from stakeholders affected by state facilities fall within the following six broad policy areas, referred to as the Policy Framework:

- Existing Owned and Leased Facilities Management
- New Facilities Development
- Performance and Quality Standards
- Cost of High Performance Buildings
- State Facilities Siting
- Transportation Demand Management (TDM)

The next six sections, using this Policy Framework, summarize what GA has learned about how state government has been, is currently and should be housed in the future in Thurston County. Each section contains the following: policy statement, problem statement, findings and conclusions.

Existing Owned and Leased Facilities Management

Policy Statement

The state's policy is to manage our existing owned and leased properties for (1) optimal customer service delivery and agency performance, (2) maximum consolidation of individual agencies and co-location of different agencies, and (3) best long-term cost effectiveness.

The state has too many leases in spaces 5,000 SF or less and too many leases overall.

Problem Statement

(a) The state has too many leases in spaces 5,000 SF or less and too many leases overall, in comparison to the amount of SF leased, creating management inefficiencies.

(b) Agency fragmentation creates deficiencies in service delivery, management and communications.[3] It also causes duplication of services and an increase in costs for staff, equipment and space.

(c) The inventory of both owned and leased buildings is aging, increasing operational and maintenance costs.

[3] Report 1, page 7 and Report 4, pages 16-25 described the fragmentation of state agencies in Thurston County.

Findings

Findings are presented in two sections: **Profile of Existing Owned and Leased Office Buildings**, and **Agency Needs Assessment**.

Profile of Existing Owned and Leased Office Buildings: The state occupies approximately 5.7 million RSF of owned and leased offices in Thurston County. Figure 3 illustrates the ratio of owned to leased offices.

By owning approximately 3 million RSF of office buildings, the state has benefited by:

- Making it easy for the public to find state offices.
- Having higher quality buildings, and
- Controlling life cycle and budget costs.

By leasing approximately 2.7 million RSF from the private sector, the state has benefited by:

- Maintaining flexibility to meet changing needs,
- Obtaining space at a low initial cost, and
- Being able to add smaller amounts of office space as needed.

Figure 3. **Thurston County Office Space**

Owned	3,008,408	52 percent
Leased	2,757,364	48 percent
Total	5,765,782	

Figures 4 and 5 provide information on owned and leased Thurston County office space as of November 2000. In summary:

- The state occupies more than twice as much space (78%) in larger owned properties (buildings larger than 50,000 RSF) than in leased properties (34%).[4]
- There are almost twice as many rental agreements[5] in leased property (159) as there are in owned property (81).
- A relatively large number of leases (30 for owned space and 42 for leased space) in the "less than 5,000 square foot" category represent 37% and 26% of the number of leases respectively, but only 2% and 5% respectively of the square footage.

Figure 4. **Number of Owned and Leased Rental Agreements by Category**

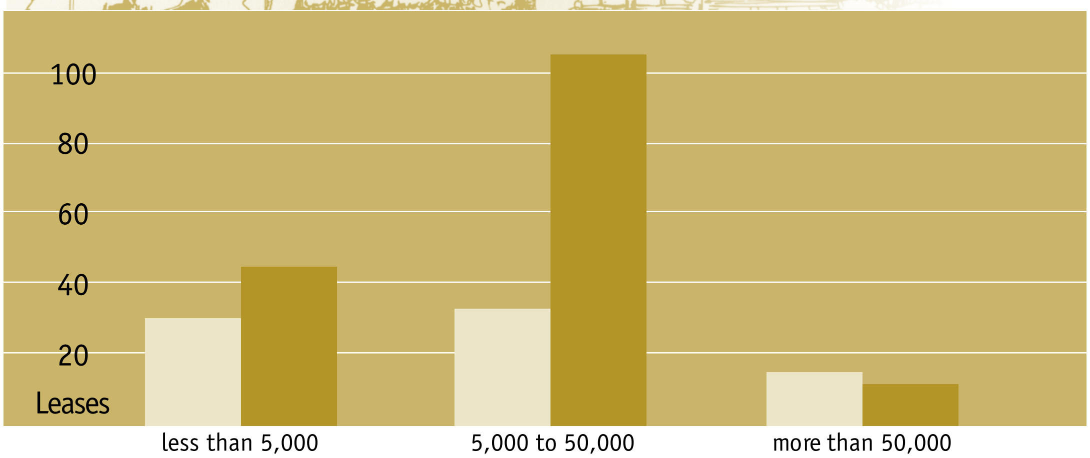
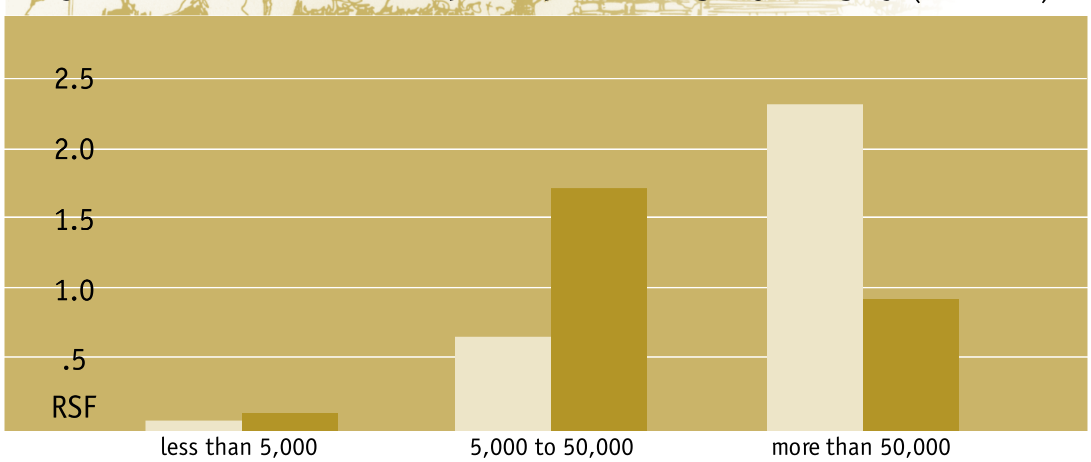


Figure 5. **Owned and Leased Space Square Footage by Category** (in millions)



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[4] 2,298,345 RSF for owned versus 944,979 RSF for leased
[5] GA has rental agreements with all agencies housed in state owned buildings.

Figure 6 shows the age of owned buildings in relationship to the square footage and number of leases. In state-owned buildings, 21% of office space is more than 30 years old and another 21% is between 20 and 30 years old. These buildings are prime candidates for major renovation over the next 10 years. Figure 7 shows the age of leased buildings.

Figure 6. **Age[6] of Owned Office Space**

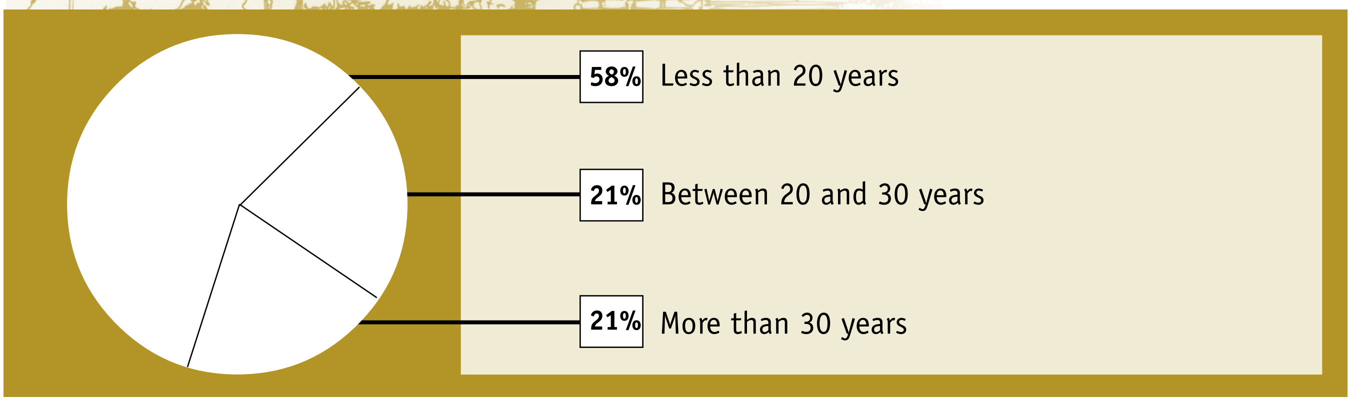
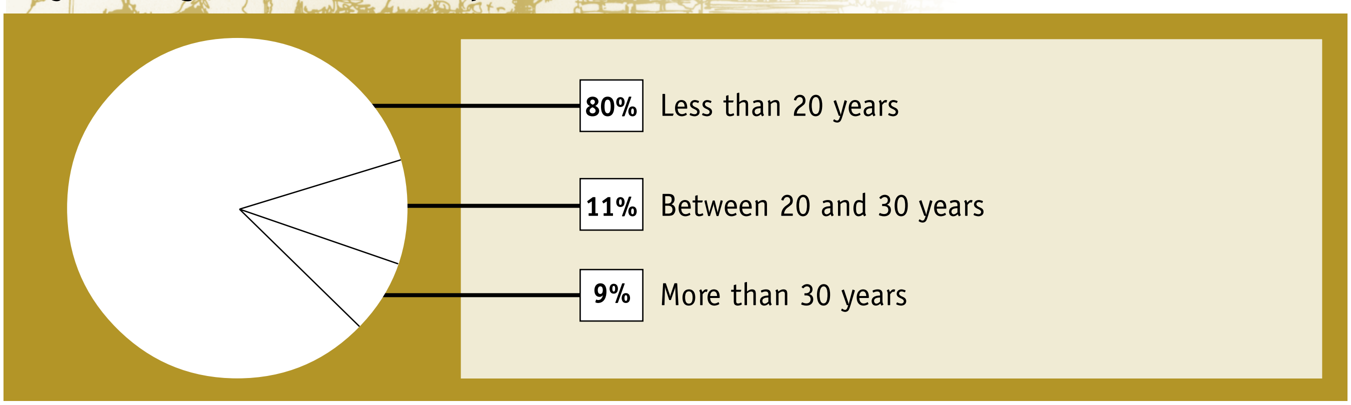


Figure 7. **Age of Leased Office Space**



[6] Age is calculated from date of construction or date of major renovation.

Agency Needs Assessment: GA assessed the relative needs of state agencies using three criteria:

- **Age and condition** refers to remaining length of service, quality of work environment, ability of office buildings to accommodate agency technology, building amenities such as meeting and break rooms, and appearance.
- **Fragmentation** refers to number of buildings, number of building locations, fragmentation of program work units and extent of overcrowding that may soon result in additional fragmentation and inefficiency.
- **Customer service impact** refers to amount and difficulty of travel by both external and internal agency customers to receive services delivered in person by the offices, accessibility and location convenience.

Figure 8 summarizes the results of the needs assessment:

Figure 8. **State Agency Office Space Ranked by Relative Need**

Priority	Age and Condition	Fragmentation	Customer Service Impact
1	Parks and Recreation	Health	Health
2	Health	DSHS	DSHS
3	Corrections	State Patrol	Admin. for the Courts
4	DSHS	Revenue	Employment Security
5		Transportation	
6		Employment Security	
7		Attorney General	
8		Administrative Hearings	

Conclusion

(a) The number of leases and agency fragmentation have resulted in reduced services to the public, operational inefficiencies, the inefficient use of office space, and increased lease management costs.

(b) A significant reduction in the number of leases is necessary to reduce the amount of fragmentation and the cost of lease management.

(c) Co-location of smaller agencies and consolidation of fragmented units of larger agencies would facilitate efficiencies in service delivery, communications and management. Such an approach would also reduce the duplication of services and operational costs, and replace an aging inventory of office space.

The number of leases and agency fragmentation have resulted in reduced services to the public, operational inefficiencies, the inefficient use of office space, and increased lease management costs.

A significant reduction in the number of leases is necessary.

New Facilities Development

…growth will be at a slower rate than in the past decade.

Policy Statement

The state's policy is to develop both privately and publicly owned office buildings in a coordinated way to meet its business needs.

Problem Statement

There has not been a consistent approach to needs assessment, planning or budgeting by agencies for new owned and leased facilities. As a result, state offices often differ markedly in cost, quality, availability, service, community benefit, accessibility, and investment value.

Findings

Findings are presented in two parts: **Space Needs, and Planned and Under Construction Office Buildings.**

Space Needs: Figure 9 summarizes a range of additional Thurston County space needs through 2010. A low-to-medium estimate of 800,000 rentable square feet (RSF) is used for planning purposes. The calculation of 2010 space needs is classified into the following three categories: (a) space to house growth in employment, (b) replacement for obsolete space, and (c) surge space during building rehabilitation. These are discussed below.

Figure 9. **2010 Thurston County Space Needs (RSF)**

Category	Low Estimate	Planning Level	Medium Estimate	High Estimate
Housing Growth in Employment	251,702	343,000	527,825	926,190
Replacement for Obsolete Space	157,000	157,000	157,000	157,000
Surge Space During Rehabilitation	300,000	300,000	300,000	300,000
Total Space Needed	**708,702**	**800,000**	**984,825**	**1,383,190**

(a) **Space to House Growth in Employment:** GA estimates employment growth in state government will correspond with the growth of the number of new state residents. However, this growth will be at a slower rate than in the past decade.[7] Figure 9 reflects GA's estimate. This forecast analyzed the relationship between state employment and state population, and between state employment and Thurston County employment. A strong historical correlation exists among these factors.[8]

[7] Stakeholders had different opinions about the forecasted need for space to house employment growth. Given recent initiatives and legislative direction regarding services, it was suggested that there would actually be a contraction in space needs in Thurston County due to staff reductions. On the other hand, it was suggested that staff growth would follow historical trends corresponding to state population growth.

[8] GA's forecast was calculated using low, medium and high factors based on 30 years of historic means and standard deviations. Recognizing that recent initiatives have had an impact on state employment the forecast also looked at recent relationship trends. Based on a conservative application of these factors the forecast for staff growth was prepared. See Report 5, page 67 and Report 3, page 37 for more detail.

Figure 10. **Projecting Growth in Employment**[9]

		Forecasting			
Year	Actual*	Low	Plan Level	Medium	High
1980	19,775				
1990	23,509				
2000	24,097				
2010		25,443	25,692	26,552	27,787
2000-2010 Difference		1,346	1,595	2,455	3,690
% Difference		+5.6%	+6.6%	+10.2%	+15.3%
Add. Space Needed (RSF)		251,702	342,925	527,825	926,190

*Source: Dept. of Personnel

State employment growth will require 343,000 RSF over the next 10 years. This represents an annual growth rate of 0.64 percent over the 24,097 level in 2000, compared to the state's population growth forecast of 1.5 percent per year.

State employment growth represents an annual growth rate of 0.64 percent compared to the state's population growth forecast of 1.5 percent per year.

(b) **Replacement of Obsolete Space**: The state should vacate and replace 15 small buildings over the next 10-year period based on a building-by-building review of owned and leased space. Most of these buildings are older, smaller, and operationally or functionally obsolete.

The following criteria were used to determine whether a building should be vacated and replaced:

- Is the building functional? Does it allow for efficient tenant use?
- Are the building systems such as heating, ventilation and air conditioning (HVAC), plumbing, electrical and lighting, obsolete? Do these systems meet current state lease specifications or have they reached the end of their useful life?
- Are the structural components, such as columns, bearing walls, footings, floor structure, unstable? Do these components meet current state lease specifications or prevent efficient utilization of the leasehold (e.g., floor plates are too small)?
- Are there conditions detrimental to the health of the building's occupants? For example, toxic molds that cannot be easily eliminated.
- Is renovation a cost-effective alternative?

The above criteria are not necessarily the only factors used in making a determination about continued occupancy of current leaseholds.

[9] Between 1995 and 2000, state employment increased by 2.5%.

Figure 11 provides a summary of needs[10] for major renovation or replacement space in the next 10 years:

Figure 11. **Summary of Renovation and Replacement Needs**

	State Owned Property		Leased Property		Totals	
	Buildings	RSF	Buildings	RSF	Buildings	RSF
Major Renovations	6	978,000	8	516,000	10	1,494,000
Vacate and Replace	7	57,000	4	100,000	15	157,000
Totals	**13**	**1,035,000**	**12**	**616,000**	**25**	**1,651,000**

(c) **Surge Space During Renovation**: Approximately 1.5 million SF has been identified by the state and lessors as candidates for renovation during this 10-year period. Assuming an average of two years per renovation, the approximate square feet of replacement space needed is 300,000 RSF each biennium.[11]

Approximately 1.5 million SF has been identified by the state and lessors as candidates for renovation during this 10-year period.

Planned and Under Construction Office Buildings: A number of private office buildings in Thurston County are under construction, site plan approved, awaiting permit approval or in the planning stages. Figure 11 lists office buildings in designated preferred development and/or preferred leasing areas that fall into one of these four categories.[12]

[10] See Appendix for a complete list of the buildings scheduled for major renovation or replacement

[11] 1.5 million SF over 10 years equals 150,000 SF per year.

[12] *Under construction* means permits have been secured, site work and construction has commenced. Site plan approved is defined as having received final site plan approval from the local jurisdiction and lender's letter of credit or letter of interest has been obtained. *Awaiting permit approval* means the owner has submitted the project to the local jurisdiction for site plan review. *In the planning stage* means that the project has not been submitted for site plan review by the local jurisdiction.

Figure 12. **Status of New Office Projects**

Common Building Name	Address	Sq. Ft.	Type	Status
Lacey (281,500 sq. ft.)				
Woodland Square Bldg.	7th Avenue/College	215,000	1 planned	In planning stage
Woodland Square Bldg.	4413 7th Avenue SE	66,500	1 planned	Under construction designated for Gambling Comm.
Olympia (105,618 sq. ft.)				
Cherry Street Bldg.	Cherry St./8th Ave.	105,618	1 planned	Lapsed site plan, can reapply
Tumwater (1,164,155 sq. ft.)				
Kurt Meier Bldg.	6400 Linderson Way	133,455	1 planned	Site plan approved
New Market Bldg.	South of Tumwater City Hall	275,000	1 planned	In planning stage
Point Plaza East	6880, 6860, 6840 Capitol Blvd.	230,700	3 planned	Under construction
Point Plaza South	SE corner of Capitol Blvd./Israel Rd.	275,000	2 planned	In planning stage
Simon Johnson Bldg.	Cleanwater Lane/ Airdustrial Way	250,000	3 planned	Awaiting permit approval
Total		**1,551,273**		

Conclusion

The study concludes that there should be a cohesive state development plan, created in consultation with the cities, lessors/developers and state agencies, to meet state office space needs.

The study also concludes that while the state's policy is to pursue a mix of public and private development, only private development is currently being planned. More than 1.5 million RSF of privately developed office space is proposed or under construction within state preferred areas. However, the proposed space may not ever be built, may not be compatible or may not meet state business requirements, or it may not be available when the state needs it or the state may not be the chosen tenant.

High Performance Standards for New State Office Buildings

Policy Statement

The state's policy is to apply high performance standards for both state and private-owned buildings larger than 50,000[13] gross square feet (GSF) in size and that the state plans to occupy for ten years or more.

Problem Statement

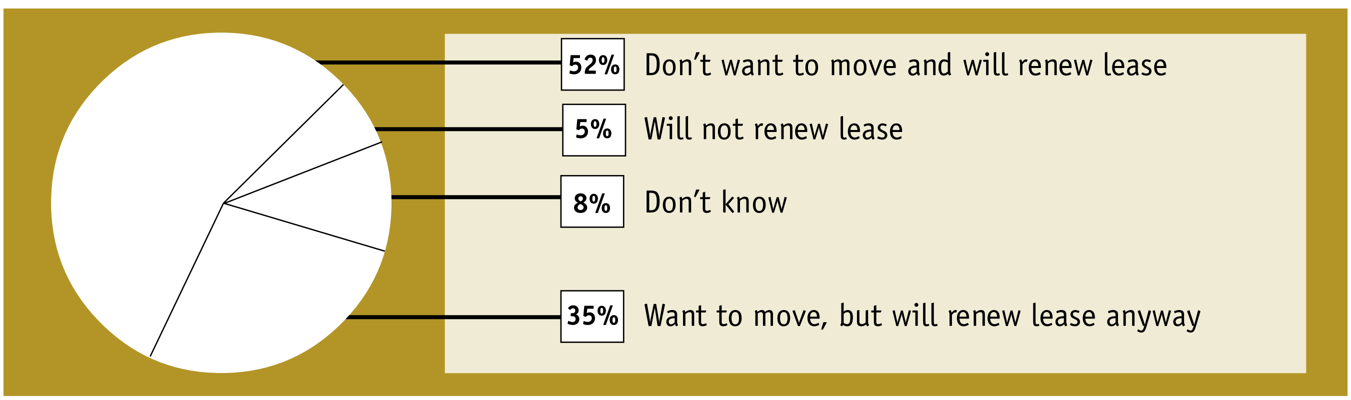
Some of the state-owned and leased buildings are aging rapidly or becoming functionally obsolete. Currently, the state has to vacate (and incur the significant costs of moving frequently), or spend significant funds to upgrade existing buildings. State agencies, state employees, local governments and the public continue to express concerns that some state-leased office buildings are of low quality, have a poor work environment, and detract from the image of the community.

Findings

Findings are presented in three parts: **Agency Survey of Building Performance and Renewal Intentions**, **Examples of Specific Building Performance Reviews**, and **High Performance Building Characteristics**.

Agency Survey of Building Performance and Renewal Intentions:
A questionnaire for each leased location in Thurston County was sent to state agencies, boards and commissions to determine their leasing renewal plans.[14] Out of the 138 questionnaires distributed, 102 responses were completed and returned. The majority of the tenants intend to renew their leases as indicated in Figure 13 below. Only five indicated they planned to not renew their leases.

Figure 13. **Agency Survey – Lease Renewal Intentions**



Among the 98 that indicated they would renew, 36 were going to renew even though they were dissatisfied with their space because they didn't have budget capacity to move to a new location. The five who planned to move and the 36 who were dissatisfied had different reasons as shown on Figure 14.

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[13] The higher standard will initially be applied to office buildings larger than 50,000 square feet. Once the state gains experience with this size building, the standard may be also applied to smaller buildings.

[14] See Report 5, page 78.

Some reasons for dissatisfaction related to building performance include poor HVAC, general condition and maintenance, and electrical deficiencies. Reasons that have no bearing on building performance were a desire to co-locate, need for additional space, and lease costs that are too high.

Many leased buildings are not long-lasting.

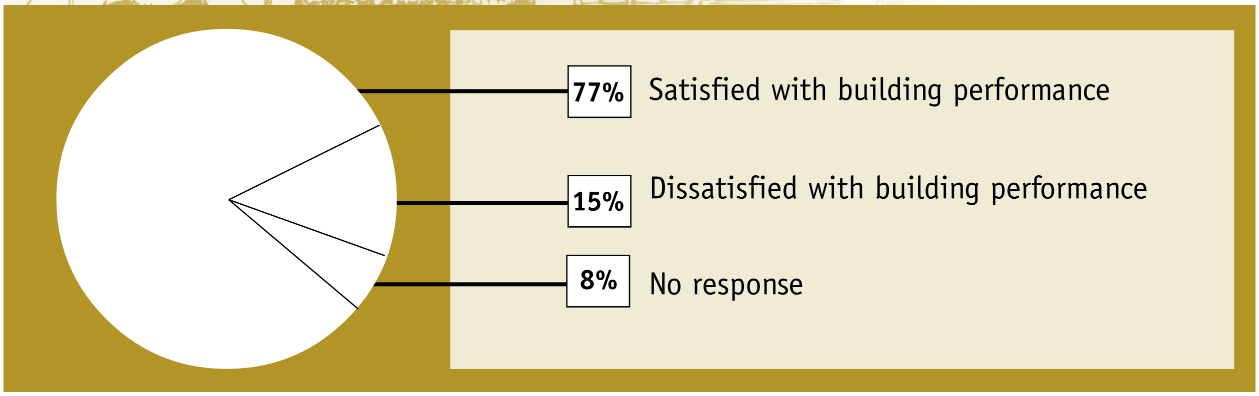
– Local Government

Figure 14. **Agency Survey – Current Leased Building Performance**

	Satisfied	Dissatisfied	No Response	Total
Will renew	53	0	0	53
Will not renew lease	3	2	0	5
Will renew, but would relocate if they could	23	13	0	36
Don't know	0	0	8	8
Total Responses	**79**	**15**	**8**	**102**

Figure 15 summarizes the degree to which dissatisfaction of building performance is an issue for state agencies:

Figure 15. **Agency Survey – Views on Building Performance**



The state has responsibility to enhance the physical environment of both communities and employees and demonstrate leadership in land use and energy management. This extends to buildings that are aesthetically inspiring and work on a human scale.

– Local Government

Examples of Specific Building Performance Reviews: Two major reports were recently prepared supporting the conclusion that some of the buildings occupied by the state are no longer performing to an acceptable standard.

(a) **Transportation Agencies**: In a study authorized by the Legislature in 1998, the architectural firm NBBJ conducted a feasibility study of transportation agencies consolidation.[15] That study cites operational and performance difficulties faced by the transportation agencies with their current facilities. Among the items cited are:

- Telephone and computer systems are inefficient.
- Barrier-free and transit access needs improvement.
- More expensive energy greatly increases building operating costs.
- Facilities are not as secure as they should be.

(b) **Department of Health**: A 1999 study conducted by the architectural firm BCRA[16] found that some or all of current space:

- Was not as efficient as new higher performance standard space.
- Does not meet current GA building performance standards.
- Would restrict fast and effective communication in an emergency situation where EMS trauma, radiation, protection and risk management are required to respond.
- Utilizes single zone, split systems and packaged rooftop mechanical systems that result in less than desired indoor air quality.
- Current building systems do not take advantage of modern building control, electrical motors, and fuel burning processes and equipment efficiency technology.
- Does not accommodate current information technology systems, computers, and other contemporary office equipment.
- Is often environmentally unsuitable for equipment essential to modern office operations.
- Has lighting systems that are not well suited; electrical power distribution that is limited; and the space used for computer and network equipment that encroaches on space needed for other more appropriate uses.

In summary, a significant number of the owned and leased buildings are not performing at a level that allows the state to provide uninterrupted service. A higher development standard that is more responsive to future needs should be used when upgrading these buildings and when developing new space.

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[15] *Transportation Agencies Consolidation Feasibility Study*, Final Report, December 1999.

[16] *Facility Consolidation Study for the Washington State Department of Health Final Report,* November 5, 1999

High Performance Building Characteristics: The High Performance Building integrates the building with its site through the planning, design and construction process. The perception, quality, functionality, security, and 'experience' of the building and the site are addressed in the planning and design phases. These are characteristics that are not typically dealt with in specifications but are critical because these characteristics help achieve a quality project. High Performance Buildings should:

- Contribute to occupant health and productivity.
- Be energy efficient.
- Maintain consistent performance.
- Minimize maintenance costs over life of building.
- Provide systems with long life warranties.
- Offer flexibility of office and agency uses.
- Provide a high level of security without compromising public access.

The most important characteristics[17] of the High Performance Building standard are:

(a) **Energy Efficiency**: Designing and constructing buildings for low and efficient energy use throughout the life of a building is a very high priority since energy use is probably the single greatest environmental impact of a building. An integrated design approach can often take advantage of energy savings that become feasible when the interaction between separate building elements such as windows, lighting, and mechanical systems are considered.

While such an integrated energy efficient approach is likely to increase the initial cost, significant savings in operating cost can often be achieved. Reduced heating and cooling loads may also reduce the initial cost of HVAC equipment, which may justify the expense.

(b) **Healthy Buildings**: The indoor and outdoor environment are integrally related, and the health of the building occupants should be ensured in any "sustainable" building. Sample strategies for providing a healthy building include:

- Designing air distribution systems for easy cleaning and maintenance.
- Avoiding mechanical equipment that could introduce combustion gases into the building.
- Avoiding materials with high rates of VOC off-gassing such as standard particleboard, some carpets and adhesives, and certain paints.
- Controlling moisture to minimize mold and mildew.
- Introducing daylight to as many places as possible.
- Giving occupants control over their environment with features such as task lighting and temperature controls.

[17] Refer to Report 2, page 28 for more details.

Most of these measures will increase construction costs, but are easily justified based on the increased health, well being, and productivity of the building occupants. Failure to implement these measures can lead to unnecessary illness resulting in expensive "sick-building" lawsuits[18] and lower productivity.

(c) **Security**: Security in government buildings requires balancing "openness" and protection, privacy and public access, savings and costs. The new High Performance Building design provides innovative ways to improve security while protecting values of openness and access that the public expects with its public buildings. The new design will integrate security technology, architecture and landscaping.

(d) **Technology Performance**: As we move into the 21st Century, the types of information systems and technology used by state employees are changing rapidly. The question confronting the state is how to meet fast and efficient voice and data systems through wired and wireless means.

Until wireless bandwidth systems are both cost competitive and powerful enough to serve all voice and data distribution, access flooring will provide the best response and flexibility to wire management. Access flooring is a means of providing a superior air distribution system. The new types of access flooring available to provide these superior services come at the price of a higher shell and core cost. Since wireless systems would not require access flooring, the added cost must be considered when wireless technology becomes available.

(e) **Sustainable Design**: The building's environment is a key element of sustainable design and construction.[19] This includes the use of recycled content materials, recycling of construction waste, management of storm water run off during construction and after, and other environmental concerns. Providing a healthy and productive work environment is another aspect of the sustainable approach. This includes indoor air quality, access to views, and natural light. Energy and water efficiency is also a significant focus of sustainable design and construction.

Conclusion

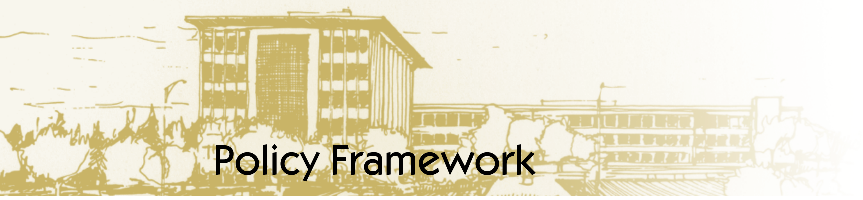
The state should only be building or leasing office buildings if they meet appropriate state performance and qualitystandards.

The study concludes that the state should only be building or leasing office buildings if they meet appropriate state performance and quality standards.[20] The study also concludes that the state should adopt a comparable building standard for owned and leased facilities that is higher than previously required on leased buildings. The new higher performance building standard would apply initially to buildings over 50,000 gross square feet in size that the state is expected to occupy for at least 10 years.

[18] Loftness, V. et al: "The Relationship of Environmental Quality in Buildings to Productivity, Energy Effectiveness, Comfort, and Health – How much Proof do we Need?" International Facility Management Association World Workplace Conference, Miami, September 1995.

[19] The US Green Building Council has developed a universal guideline and rating system for achieving these goals. This tool is the Leadership in Energy Environmental Design (LEED) rating system. LEED is becoming the recognized sustainable design and building standard by architects and engineers across the country.

[20] The specifications of such buildings were identified in Report 2 beginning on page 25. These specifications were developed in conjunction with developers, design architects and engineers and state agencies. Changes in state specifications are also needed to ensure that the building provides the right physical environment for wireless technology, as those requirements become better understood. The LEED's Silver Standard is being proposed as a goal for all new state owned and leased office buildings.



Cost of High Performance Buildings

Policy Statement

The state's policy is to use life cycle cost and other economic models to evaluate whether to own or lease. In addition, the state will finance the cost of new or newly renovated state offices with bonds or certificates of participation (COP), which are reimbursed by building tenants, except for historic office buildings on the West Capitol Campus.

Problem Statement

Over the past 10 years, the state often made "market driven" choices, e.g., how much an agency could afford for rent, where the building was located, what services or improvements came with the rent package, and the financing terms offered. The state has often chosen the lowest initial price option, even though life-cycle costs to the state, local government and the public would be higher over time.

Findings

Findings are presented in eight parts: **Cost of High Performance Buildings, Leasing vs. Ownership, Office-Related Costs, Productivity, Annual Cost Per Worker to Build to Higher Performance Standard, Responsibility for Debt Service,** and **Impacts of State Facility Decisions on Local Government Spending.**

Cost of High Performance Buildings: A High Performance Building will cost more to build than it now costs to build to the current standard because of higher quality systems and materials. However, because of theses higher quality systems and materials, the lifetime operational costs should be less and the residual value of the building will be higher than buildings built to the current standard. Life cycle cost analysis demonstrates that over the long-term, the cost differential between the High Performance Building standard and the current building standards narrows.

The cost of the High Performance Building (in 2000 $) is $230 per gross square foot,[21] whereas the estimated cost of the current building standard is $180 per gross square foot. Thus, the High Performance Building is approximately 28% higher in initial cost terms and in related amortization costs.[22]

If an extended operational life, reductions in energy consumption, and operations and maintenance savings are also added, the percent difference declines to about 10%. Against this difference, the benefits of lower agency operating costs, higher productivity and job satisfaction, recruitment and retention and other and more intangible benefits can be compared in order to determine if those cost savings more than offset the $25 per RSF added cost of the High Performance Building.

"What are we trying to accomplish, and how does this building help do it better?" My private clients have often concluded to pay 30 percent more than the rejected building because it was cheaper (cost less to accomplish the broad entity objectives than the total cost with the lower priced building.)"

– Larry Siminski, CPA

Build people-friendly infrastructure along with state offices – avoid "ghost towns."

– Developers and Lessors Forum

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[21] Report 4, page 34

[22] Using the cost per square foot assumptions outlined in Report 5, page 28, a life cycle comparison can be accomplished for each approach. The Net Present Value (NPV) life cycle cost of the current standard is $254 per RSF. The NPV life cycle cost of the higher standard is $292 per RSF. The life and operational improvements of the High Performance Building reduces its NPV to $279, reducing the gap from $38 per RSF to $25 per RSF.

Over a 40 year period, 92 percent of all money spent to achieve the organization's office-based mission goes for people, and only 2 percent goes to build and equip the building.

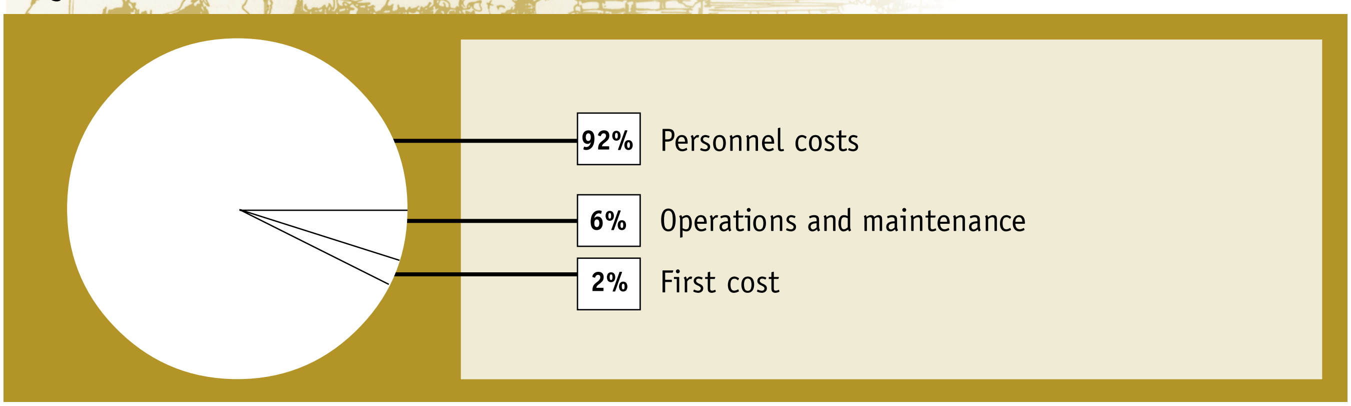
Ownership vs. Leasing: The ownership versus lease economic issue and its impact on state spending was addressed in Report 3, page 24. In that report we noted:

> One of the most important reasons the state will choose to lease a property is for financial reasons. The rationale most frequently heard is that leasing frees budget dollars for direct program needs. There are many variations on this basic theme, but the line of reasoning generally is somewhat as follows: by leasing office space, an agency can make the funds which would otherwise be tied up in those assets available for alternative purposes – most often mission services.

In an economic analysis of ownership versus lease, the expected lease rate to equal the High Performance Building would need to be at $24.90 per RSF while the rate for the current lease standard would need to be $20.50 per RSF,[23] a relatively small difference of $4.40.

Office-Related Costs: Of all the costs incurred to develop, furnish, equip, operate and staff an office, people costs are far greater than office costs, in a ratio of over 10 to 1 for newly built offices. Over a 40 year period, 92 percent of all money spent to achieve the organization's office-based mission goes for people, and only 2 percent goes to build and equip the building and 6 percent is for operations and maintenance[24] as Figure 16 illustrates.

Figure 16. **Office Related Costs over 40 Years**



The leveraging affect of office buildings on office costs is significant with a multi-million dollar potential annual impact on productivity. Since the employee is the major "investment" in terms of cost, employee productivity is critical to any cost-benefit perspective. Figure 17 illustrates the comparative costs of building to the current standard or to the High Performance Building standard and employee salary and benefits.

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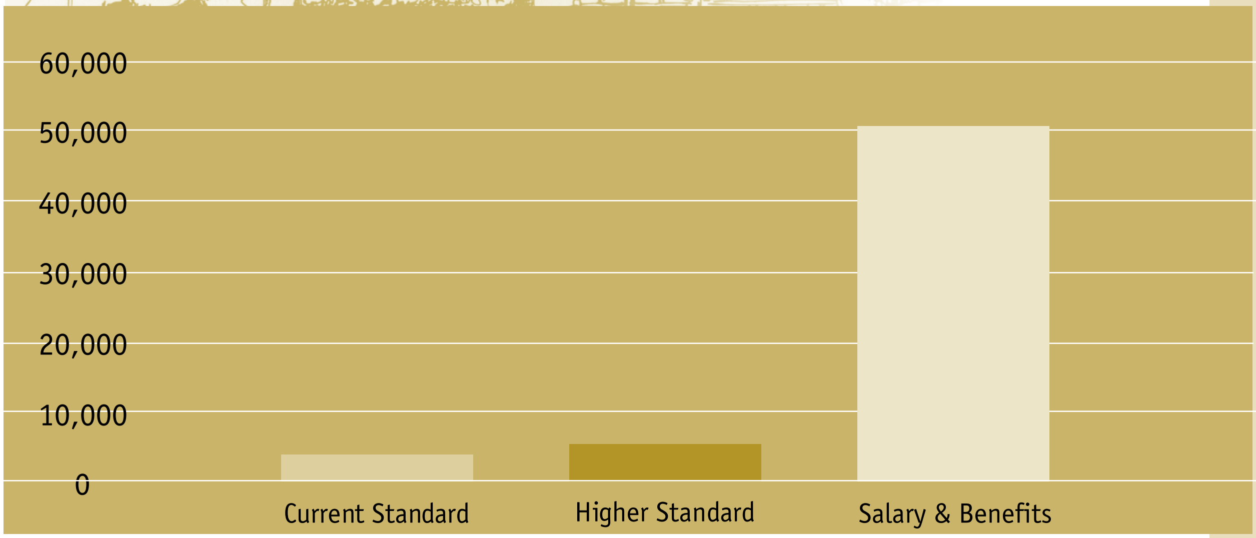
[23] These figures exclude land costs, furniture costs and capital replacement reserves (since most lessors don't use capital replacement reserves).

[24] General Services Administration: National Performance Review. 1999.

Figure 17. **Annual Cost of Building Standard v. High Performance v. Salary and Benefits**

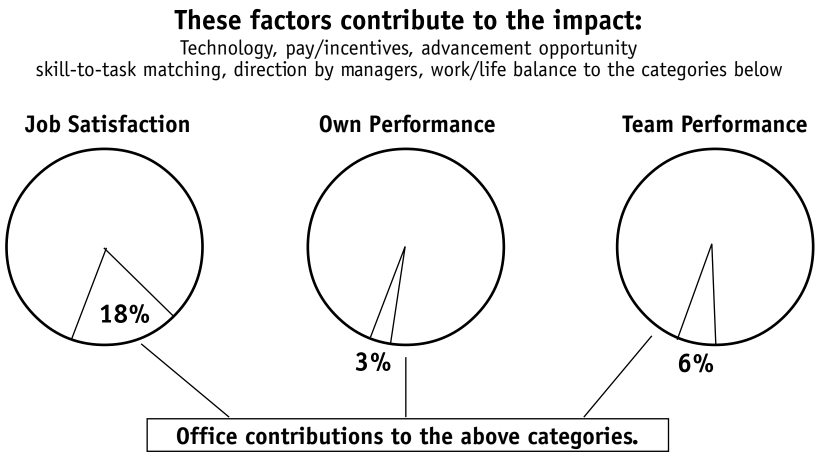


Productivity: The Buffalo Organization for Social and Technological Innovation (BOSTI) study[25] asserted that productivity increases could be realized by improving the quality of the office environment. Figure 18 illustrates the impact of the office on the three types of measurable characteristics that BOSTI cites: Job Satisfaction – 18%, Individual performance – 3%, and Team performance – 6%.

"The question is not whether the state or private developers build future office buildings but, rather, whether such buildings will reflect high standards of design and growth management."

– Jerry Parker

Figure 18. **Impact of Office Environment on Performance**



If productivity were to be increased by the same margin, as BOSTI indicates is possible, then the increased cost of the High Performance Building will be recovered.

Invest in quality construction that contributes to the community

– Local Government

The study acknowledges that the High Performance Building will initially cost marginally more than current standards. However, if productivity were to be increased by the same margin, as BOSTI indicates is possible, then the increased cost of the High Performance Building will be recovered.

[25] Report 5, Page 33

Annual Cost Per Worker to Build to Higher Performance Standard: As indicated in Figure 18, the starting annual office building cost to house a worker would be as follows:

- $5,200 per year in a High Performance Building.[26]
- $4,100 per year in current lower lease standard space.[27]

Responsibility for Debt Service: RCW 43.01.091 requires that state agencies pay for all facility-related costs, including principal and interest on debt service or certificates of participation (COP)-financed state construction and major renovations. GA supports this principle because it does not require general fund subsidies and accounts for the full facility costs within the tenant agency's operating budget.

There are timing problems with this approach, however. For owned facilities, full debt service in the early years causes substantial budget increases and higher-than-market rates for similar facilities. Facility costs remain fairly level for the next 25 years. Mid-way through the debt service period, owned and leased costs are equivalent. Near the end of the debt service period, relative costs of owned facilities are lower. Once the debt or COP's are "paid off," owned facility costs would drop dramatically. For these reasons, RCW 43.01.091 allows for lower initial charges for principal and interest.

Impacts of State Facility Decisions on Local Government Spending: There is a widely held belief that state office development does not pay its fair share for its initial and recurring cost impacts on local communities. However, no estimate has been provided as to the total cost of such impacts. Cities incur costs for public safety, fire, emergency medical services, and street maintenance for both state-owned and privately owned buildings. These costs are, for privately owned buildings, partially funded by property taxes. The state does not pay impact fees for schools and parks, but the state has traditionally paid mitigation fees to cover off-site public infrastructure impact costs related to roads, traffic signals and public utilities.

Conclusion

This study concludes that while the initial cost of a High Performance Building is higher than the cost of a current leased building, there are significant benefits to the state in implementing the High Performance Building Standard. In addition to benefits such as improved community image and improved employee morale, the incremental increased costs of High Performance Buildings will be fully recovered through increases in productivity that can enhance mission accomplishment and service delivery. This does not necessarily mean such costs can be recovered through budget reductions. The real benefit will be in improved services.

[26] Assuming the average worker space is 215 RSF in each case

[27] For factors that determine whether a location/site is compatible or accessible to transit or other alternative transportation modes, see Report 4, page 14

State Facilities Siting

Policy Statement

State policy is to concentrate state offices in medium to high-density locations well served by public transportation. To this end, the state will build-to-own in Preferred Development Areas (PDA's) and lease develop or lease new state offices in Preferred Leasing Areas (PLA's) or PDA's, as designated by the State Capitol Committee.

Problem Statement

(a) The state has had difficulty initiating development on state-owned land due to lack of financial resources and political support.

(b) As a result, the state has gone wherever private office space has been built, contributing to "urban sprawl," increasing fragmentation of state services, and increasing state operating costs.

(c) This type of sprawl has increased the pressure on publicly funded infrastructure and services, and reduced the transportation choices for many state employees increasing traffic congestion.

(d) State office sprawl has also reduced the accessibility of government for members of the public, especially agency client groups.

Findings

Findings are presented in six parts: Cost of Sprawl, Use of Investment and Resources, Land Use and Transportation Choices, Development Capacity of Preferred Development Areas and Preferred Leasing Area, State Property Ownership within PDA's, and challenges to Downtown Olympia State Office Development.

Cost of Sprawl: State leasing practices over the past 10 years have contributed to urban sprawl. Over one-third of state leases are outside the 1991 Master Plan-designated Preferred Development Areas and almost 500,000 square feet of leased space is outside December 2000 State Capitol Committee-approved Preferred Leasing Areas as of November 2000. All state-owned offices are within the preferred areas.

Sprawl aggravates a number of economic and social problems that reduce the quality of life in our communities and adds to public spending.[28] Sprawl produces traffic congestion, air pollution, large-scale absorption of open space, extensive use of energy for mobility, and adds high development costs to provide adequate infrastructures to accommodate growth. Sprawl impacts the containment of surface water through the expansion of impervious surfaces such as parking lots. This in turn increases water pollution.

"Development of complementary services by the private sector at state buildings is imperative. State buildings are cultural disasters. Barren, boring and bland. The first step is to cluster development so that it generates sufficient demand to support complementary services."

– Jerry Parker

[28] Driven to Spend: The Impact of Sprawl on Household Transportation Expenses. Surface Transportation Policy Project. 2000. Washington DC.

Individual agency location requirements vary widely based on agency mission, relationships to other agencies or programs within the agency, interstate highway access, where the agency's customers come from, and employee amenities such as parking.

Of direct impact to the state is the increased fragmentation of agencies, as they have scattered throughout the urban area seeking low cost leases. This fragmentation has created critical problems in service delivery, communication between different units of one agency, and overall agency management. Figure 19 illustrates the fragmentation of agencies throughout Thurston County.

Fragmentation has created critical problems in service delivery, communication between different units of one agency, and overall agency management.

Figure 19. **Thurston County Fragmentation – Leased and Owned**

Agency	Locations	Buildings
DSHS	14	22
Transportation	10	10
Information Systems	7	7
Revenue	6	6
Secretary of State	6	6
State Patrol	5	8
Employmenet Security	5	8
Attorney General	5	7
Corrections	5	6
Health	4	21
Health Care Authority	4	4
Administrative Hearings	1	3

Use of Investment and Resources: Responding to sprawl or low density growth reduces the ability of local government to maintain older infrastructure, gradually undermining the sustainability of the existing infrastructure inventory. This disperses and minimizes rather than maximizes the use of existing public and private resources.

Outcomes of unplanned locations of state office buildings are increased congestion, longer commute times, customer dissatisfaction and reduced worker productivity.

Land Use and Transportation Choices: There is a clear relationship between land use and transportation mode choice. The location of buildings and the way they are built can literally "force" auto dependency on building occupants and their customers, strongly discouraging or making impossible the ability to walk, bike or ride a bus to the facilities. The design and location of a building, the availability and capacity of public transportation[29] to serve these state facilities and the types of businesses and services around it affect the number of auto trips.

As state government employment in Thurston County grows, accompanied by other county growth, increasing demands will be placed on the transportation system. Possible outcomes of unplanned locations of state office buildings are increased congestion, longer commute times, customer dissatisfaction and reduced worker productivity. In addition, some unplanned locations will require additional infrastructure expenses for parking and transportation improvements to simply manage the additional traffic.

Development Capacity of Preferred Development Areas (PDAs) and Preferred Leasing Areas (PLAs): Planning studies have established the development capacities for new state offices within PDAs and PLAs as follows:

"We appreciate the state's efforts to concentrate development in preferred development/ leasing areas. Concentration is critical to the efficient provision of services and making alternative modes of transportation feasible."

– City of Olympia

Figure 20. **Development Capacity**

	Gross Square Feet			Rentable Square Feet		
Location	**State**	**Private**	**Total**	**State**	**Private**	**Total**
Olympia PDA/PLA1						
Capitol Campus	915,000		915,000	851,000		851,000
Off-campus	480,000	1,537,000	2,017,000	446,000	1,429,000	1,875,000
Olympia PLA2		60,000	60,000		56,000	56,000
Subtotal/Olympia	**1,395,000**	**1,597,000**	**2,992,000**	**1,297,000**	**1,485,000**	**2,782,000**
Lacey PDA/PLA2	677,000		677,000	630,000		630,000
Lacey PLA1		200,000	200,000		186,000	186,000
Subtotal/Lacey	**677,000**	**200,000**	**877,000**	**630,000**	**186,000**	**816,000**
Tumwater PDA	520,000	1,030,000	1,550,000	484,000	958,000	1,442,000
Tumwater PLA1		20,000	20,000		19,000	19,000
Tumwater PLA2		505,000	505,000		470,000	470,000
Tumwater PLA3		280,000	280,000		260,000	260,000
Subtotal/Tumwater	**520,000**	**1,835,000**	**2,355,000**	**484,000**	**1,707,000**	**2,191,000**
Total	**2,582,000**	**3,632,000**	**6,224,000**	**2,411,000**	**3,378,000**	**5,789,000**

[29] See *Driven to Spend: The Impact of Sprawl on Household Transportation Expenses.*

Figure 21. **Summary of Office Development by City**

	Gross Square Ft.	Rentable Square Ft.
Capitol Campus	915,000	851,000
Olympia – Off campus	2,077,000	1,931,000
Lacey	877,000	816,000
Tuwmater	2,355,000	2,191,000
Total	**6,224,000**	**5,789,000**

Total office development capacity of all PDAs and PLAs is 6.2 million gross square feet, which is equivalent to 5.8 million RSF of new offices. This is three times the amount of office space added between 1990 and 2000, and more than seven times the amount of development anticipated by GA's 10-year 800,000 RSF space planning forecast. Figure 21 indicates where this proposed development is occurring.

Total office development capacity of all PDAs and PLAs is 6.2 million gross square feet…equivalent to 5.8 million RSF of new offices. This is:

- Three times the amount of office space added between 1990 and 2000.
- More than seven times the amount of development anticipated by GA's 10-year forecast of 800,000 RSF.

State Property Ownership within PDAs: GA owns property on the Capitol Campus, Tumwater Campus and Lacey Campus that can accommodate 2.6 million GSF or 2.4 million RSF of office development according to the State Capitol Committee-adopted master plans. This volume of square footage could accommodate all state office development for the next 15 to 30 years if large buildings are constructed as envisioned by these master plans.

The 1991 State Capitol Master Plan envisioned that development on state-owned land would all be state developed and owned. However, there are some problems associated with expanding development on state-owned property such as a lack of financial resources, limited capacity for development or limited existing public infrastructure.

Challenges to Downtown Olympia State Office Development: Downtown Olympia has all the advantages of being the central business district of the region. It has high density, extensive mixed use, an effective street network that facilitates transportation choices, and is the focal point of frequent transit service. It also has significant public and private infrastructure already in place.

It has become clear that downtown Olympia locations for state offices are at a market disadvantage when compared to Lacey and Tumwater locations for two reasons: initial project cost and fragmented land ownership. Projects located in downtown Olympia cost more because: 1) land is currently in use and therefore more expensive to acquire, 2) off-site mitigation is assumed by developers to be more expensive, and 3) certain sites require parking structures because land is not available for surface parking.

Fragmented ownership also presents a challenge because there are four to 10 property owners within a city block. Acquiring property rights can take much more time than the state can allow because of legislative appropriation cycles and agency needs.

Concentrating state office space in PDAs and PLAs benefits the state and its customers, the public. It reduces the fragmentation of state programs, facilitates public access to these programs, and brings customer destinations into close proximity.

North Downtown Olympia area is the best location for off-campus state offices in Olympia.

Conclusion

(a) The lack of a coherent plan for state office development has resulted in state office sprawl and fragmentation.

(b) Concentrating state office space in PDAs and PLAs benefits the state and its customers, the public. It reduces the fragmentation of state programs, facilitates public access to these programs, and brings customer destinations into close proximity.

(c) Concentrating state offices creates more transportation choices for employees and customers.

(d) Effective transportation choices reduce automobile trips, which reduces adverse impacts on air and water quality. Access to state facilities via a wide range of transportation options, not just by automobiles, is critical for state government.[30]

(e) Concentrating state offices supports the community's comprehensive plans and growth management policies.

(f) Concentrating employment into central locations creates a more compact people-oriented living and working community versus a low density, auto-centered multiplicity of places. It is also prudent use of public monies, by making the most of existing investment and resources.[31]

(g) The current policy of only allowing public development on state owned property needs to be reconsidered, in order to maximize the state's scarce financial resources and create competition among the private sector.

(h) At this time the north Downtown Olympia area is the best location for off-campus state offices in Olympia at this time because the area maximizes the use of and previous investment in public and private infrastructure. But most public or private office development in the north Downtown Olympia area will require the property to be controlled by the state first. This is because few sites are controlled by single entities who are interested or capable of developing state facilities.

[30] Report 4, page 13

[31] In order to facilitate appropriate future location decisions, location selection criteria need to be assigned an appropriate relative weight among all criteria.

Transportation Demand Management (TDM)

Policy Statement

The state's policy is to locate, develop and manage its owned and leased properties to achieve local and state transportation demand management (TDM) and commute trip reduction (CTR) objectives while meeting the business needs of state agencies.

Problem Statement

Prior state office location decisions have created sprawl and reduced the transportation choices for many state employees and clients and, as a result, increased the number of single occupant vehicles on county roads. State offices tend to be situated in buildings surrounded by large parking lots. Many people believe that the state's office development approach has had a major impact on quality of life in the community.

Findings

Findings are presented in four parts: **State Law, Parking Management, Impact of Parking Fees**, and **Financial Incentives.**

State Law: State facilities are subject to the following laws:

(a) **Commute Trip Reduction Requirements**: The CTR Law (RCW 70.94.521-551) requires that work sites of 100 or more employees develop and implement trip reduction program, aimed at reducing single occupancy vehicle (SOV) use to drive to work.

(b) **Parking Requirements**: The state parking requirements law (RCW 43.01.240(3)) applies to all state-leased work sites and mandates that agencies shall not enter into leases for employee parking in excess of the local jurisdiction's zoning requirements.

Parking Management: Parking is a critical consideration when employees make transportation mode choices. The availability of ample free parking is the single greatest incentive to driving alone. Restricted parking, with competition for spaces, provides pressure to find and use alternatives.[32]

The simplest way to reduce parking demand and in the process, enhance the attractiveness of transportation alternatives, is to charge users directly for parking. Charging employees for parking typically reduces single occupancy vehicle (SOV) use to the work site by 20% to 40%. Parking charges also produce revenue that can be used to support other TDM strategies[33] or offset state facility costs.

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[32] Sites with the best TDM program results are those where parking is restricted or managed. Assigning employees to a group (or "zone") rather than individual designated spaces typically allows 20% or more users to park, since some employees are away at any particular time, or use other means than driving alone to work.

[33] For a more detailed description of TDM strategies, see Report 2, page 18.

Impact of Parking Fees: Figure 22 provides some indication of the potential trip reductions that could result from specific levels of parking pricing with Thurston County examples of the categories.

Figure 22. **Trip Reductions from Daily Parking Changes**

	$1.00	$2.00	$3.00	$4.00
Suburb (e.g. Ecology Building)	6.5%	15.1%	25.3%	36.1%
Surburban center (e.g Woodland Square)	12.3%	25.1%	37.0%	46.8%
Central business district (e.g. downtown Olympia/ Capitol Campus)	17.5%	31.8%	42.6%	50.0%

(Adapted from Philip Winters and Daniel Rudge, Commute Alternatives Education Outreach, NUTI-Center for Urban Transportation Research, 1995, Table 3.3-8)

"The solution to parking is no parking…

require the use of the alternative transportation."

– Larry Siminski, CPA

Financial Incentives: Potentially as valuable as a parking charge is a direct financial incentive or subsidy for those who do not drive alone. Such incentives are much faster to gain acceptance than parking charges, but they are more difficult to fund. Incentives can range from discounted or free carpool or vanpool parking to subsidized transit or vanpool fares, to direct cash payments for all non-drive alone uses.

The majority of successful TDM programs include some type of financial incentive.

The majority of successful TDM programs include some type of financial incentive to those who do not drive alone.[33] The greatest impact is achieved when financial incentives are combined with a parking charge, and where the total amounts of the direct financial incentive equals or exceeds the amount of the parking charge.

Conclusions

(a) Providing transportation choices by locating state facilities near existing bus routes or funding new bus services can serve citizens who do not have automobiles and encourage employees to use alternative transportation.

(b) More effective parking management and financial incentives at all state worksites in Thurston County will provide significant support to the state's goal to:

- Reduce leasing or construction costs by reducing the amount of parking needed,
- Ensure that alternative commute modes are maximized,
- Support local government's growth management policies and comprehensive plans,
- Be a good neighbor and steward of the environment.

[33] A very significant impact will be attained by providing cash incentives (which are taxable) to those who use alternatives to driving alone, as opposed to the other types of non-taxable financial incentives, such as subsidies for bus passes. That does not mean a subsidy program cannot co-exist with a direct financial incentive program. For example, a program may allow employees to choose between getting a direct financial incentive—which is taxable—or subsidizing a bus pass –which is non-taxable.

Recommended Facilities Development Program

Study Conclusion

Recommended Facilities Development Program

Expected Results

3

The Cherberg Building can be seen on the left in this view along 14th Avenue to the south portico of the Legislative Building.

This chapter presents recommendations based on the results of GA's 18-month Thurston County Lease and Space Planning study. The recommendations are shaped by the guiding principles and values described in Chapter 1 and the findings and conclusions presented in Chapter 2.

Section I below summarizes the study's conclusions and Section II details the study's recommendations.

Clear Legislative Direction, Better State Office Buildings, and **Improved Community Development**, the three expected results of this study's implementation, are discussed in Section III.

In answer to the question, ***How and where should state government be housed in Thurston County over the next 10 years?*** The study recommends:

Recommendation

A balanced program of leasing, lease development, and state development to be implemented over the next 10 years.

This program will provide 800,000 SF of office space to meet the state's projected needs. This new office space will replace obsolete owned and leased space, provide surge space while buildings are being renovated, and accommodate new employees.

This development should occur within Preferred Development Areas and/or Preferred Leasing Areas.

The State's plan makes sense.

– Editorial Pages, December 24, 2000, *The Olympian*

The study recommends:

(a) 10-year renovation plan for state owned buildings.

(b) 10-year new facilities development plan for owned and leased buildings.

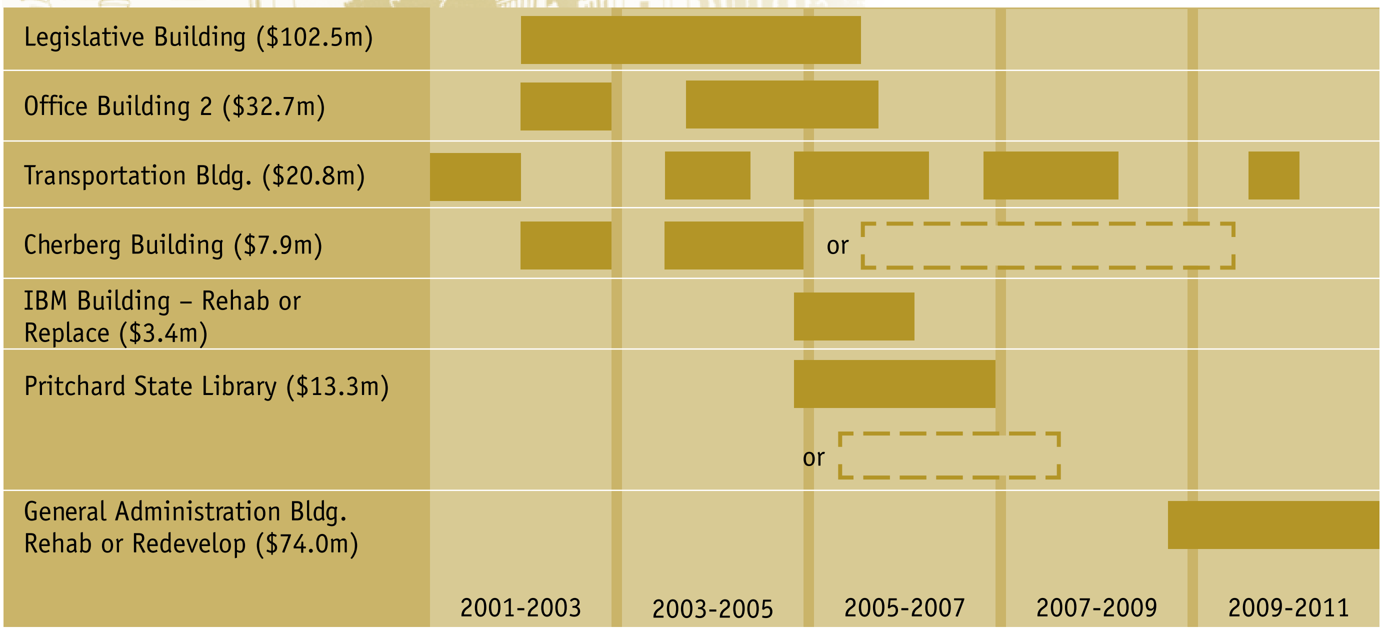
(c) Action requested of the Legislature.

(d) Action to be taken by GA.

Renovation of State Owned Office Buildings

The study recommends that over the next 10 years the state rehabilitate seven of its 39 Thurston County state-owned office buildings in phases through 2011 (Figure 1).

Figure 23. **10-Year Office Building Major Renovation Plan**



Project Descriptions: Seven state-owned major renovation projects on the Capitol Campus are proposed over the next ten years. Affected agencies include the Washington State House of Representatives (House), Washington State Senate (Senate), Washington State Library (Library), Department of Social and Health Services, (DSHS), Department of Information Services (DIS), Department of Transportation (DOT), Employment Security Department (ESD) and seven agency tenants of the General Administration Building.

The study recommends that over the next 10 years the state rehabilitate seven of its 39 Thurston County state-owned office buildings in phases through 2011

01-03 Biennium

Three or four major office buildings would be renovated during the 01-03 biennium.

Legislative Building Rehabilitation: The seven-year rehabilitation project of this 72-year old building will correct earthquake, basic health and safety problems, modernize heating, cooling, electrical, and fire safety systems, restore exterior sandstone, and improve building access. The strategy for rehabilitation and related impact on the Cherberg and Pritchard buildings depends on the approach selected by the Legislature for the Legislative Building.[1]

Office Building 2 (OB-2) Rehabilitation: OB-2 is 372,300 gross square feet, the second largest state office building in Thurston County. Approximately 1,100 people work in the building. Constructed in 1975, building renovation is needed to:

- Provide a safe and functional facility.
- Eliminate major accessibility and circulation problems.
- Enhance space efficiency.
- Provide a facility that better supports the tenants' business needs.

Transportation Building: The next phase of the rehabilitation of the DOT building will begin in 2001-2003 with the final phase scheduled for 2009-2011. This building is 161,475 gross square feet housing approximately 700 workers. The building was constructed in 1970 and the building systems are in need of upgrade.

The accessibility problems in the building will be addressed in 2001-2003 with the installation of an elevator and stair tower. Seismic improvements to correct deficiencies that could lead to structural failure in an earthquake are scheduled to begin in 2005-2007. The roof is scheduled for replacement in 2009-2011.

Cherberg Building Rehabilitation: This 69-year old building is in need of systems, life/safety code and technology upgrades. Depending on the method selected for upgrade and relocation during the Legislative Building rehabilitation, this project (along with the Pritchard State Library) is subject to alternative scheduling. The historic building's sandstone exterior must also be repaired and preserved.

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[1] The Joint State Capitol Committee/Legislative Building Renovation Oversight Committee forwarded four Legislative Building renovation options to the Legislature. The Committees expressed a preference to use the Cherberg and Pritchard buildings without major renovation until the Legislative Building renovation is completed and the buuilding reoccupied in 2005.

05-07 Biennium

Two new renovation projects will be started this biennium and one or two renovations will be completed.

Pritchard Library: The Pritchard Library provides services to the Legislature, state agencies, and the public. It was constructed in 1959 and has never been rehabilitated. The current building systems have exceeded their useful life and no longer adequately support operations. The Library's collections have grown, information technology needs have increased and staffing levels have risen, resulting in an inadequate facility. The Legislature will decide if the Library should permanently stay in the building or whether there is a better use of the building. The exact timing on any renovation will also depend on the Legislative Building renovation schedule.

IBM Building: The former IBM Building, located next to the Employment Security Building located at Maple Park Drive and Capitol Way, provides training rooms and office space for the ESD. It was built in 1956 and many systems are aged and in need of replacement. The 2001 earthquake caused severe damage to the building. This project will either rehabilitate or replace the building with a new structure if replacement is more cost effective.

09-11 Biennium

One new renovation project is started this biennium and two projects are completed.

General Administration Building: This 279,000 gross square feet facility was built in 1956. It is the third largest building on campus. Its systems have exceeded their useful life and fail to meet current life safety or energy codes and tenant needs. The strategy is to invest just enough in this facility to keep it operational until the 2009-11 biennium when a total building renovation or site redevelopment can occur.

Figure 2 is a summary of appropriation authority required to complete these renovations.

Figure 24. **Renovation of State Owned Office Buildings – 2001-2010 ($million)**

Building	Current/Past Work	2001-03 Request	Future Work
Office Building 2	19	6	27
Transportation Building	2	2	18
Legislative Building	10	98	
Cherberg Building		1	7
Pritchard State Library			13
IBM Building			3
General Administration Building			74
Total	**31**	**107**	**98**

Development of New Facilities

The study recommends that the Legislature adopt a 10-year development plan authorizing six to eight state- or privately owned office buildings.

If the state's 10-year need turns out to be less than 800,000 RSF, the proposed 10-year schedule would be extended or fewer buildings would be developed. If more than 800,000 RSF is required, the schedule would be accelerated. Alternatively, the size of the buildings could be increased.

The study recommends that the Legislature adopt a 10-year development plan authorizing six to eight state- or privately owned office buildings. The state would require that these buildings meet higher construction standards in order to provide 800,000 RSF of new replacement or additional headquarters offices[3] through 2011.[4] The 10-year plan should be updated each biennium.[5]

One or two buildings would be constructed each biennium to allow for maximum coordination with cities, state agencies and developers, as well as to facilitate renovation and re-leasing of vacated buildings. Agencies with the greatest needs would be given priority. Figure 3 describes the phasing schedule.

The State is not good on follow-through.

– Local Government

Private development would be allowed on state-owned property with the contractual right for the state to later purchase the office building subject to State Capitol Committee and Legislative approval.

This approach benefits both the state and the host community by giving the state and local government complete control over project siting while ensuring broad competition by developers, especially those who have not acquired control of building sites within the preferred areas. It also allows city and state planners to resolve urban and project design issues much earlier, and plan for public infrastructure and services.

If the state's 10-year need turns out to be less than 800,000 RSF, the proposed 10-year schedule would be extended or fewer buildings would be developed. If more than 800,000 RSF is required, the schedule would be accelerated. Alternatively, the size of the buildings could be increased.

The recommended program strives to balance various stakeholder interests. It allows for changes in the way agencies conduct their business while remaining customer service-oriented. It encourages competition between state and private developers, which optimizes public facility spending. Most importantly, it allows the state to adapt to changes in work and employment patterns and meet the business needs of its agencies.

"Perhaps more important than the lease vs. own issue, is that the development be concentrated in designated areas, be of high quality, good urban design, have access to local services and amenities, and preferably a mixed use development." – City of Olympia

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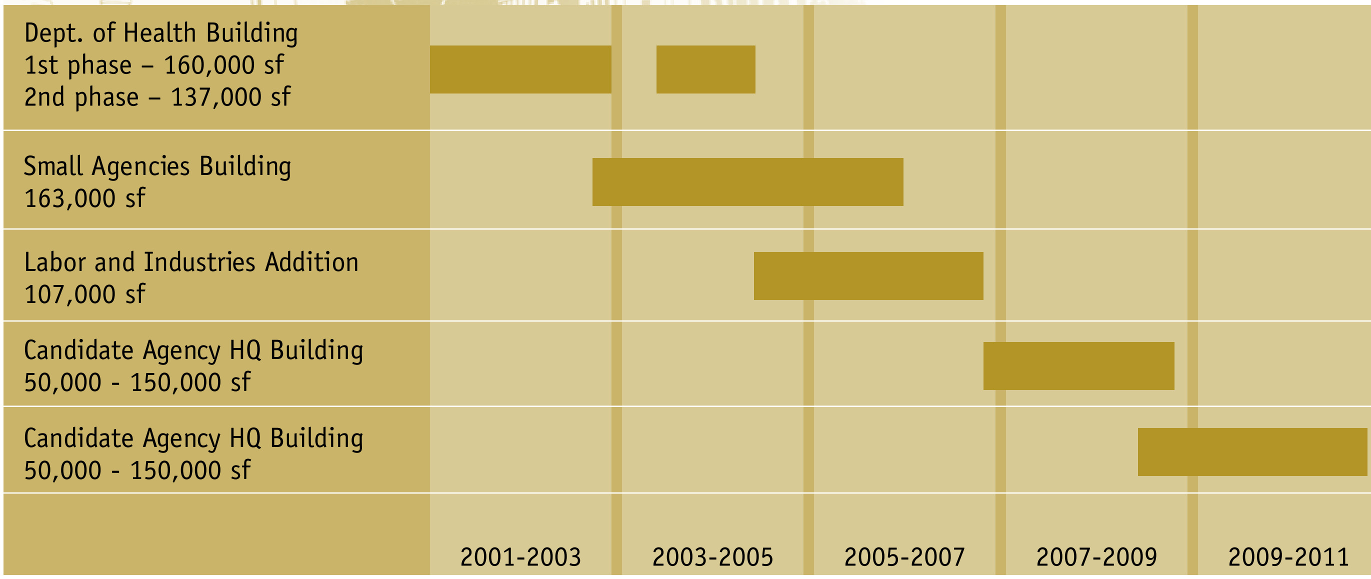
[3] The recommended program is targeted to the headquarters operations of state agencies and not their *retail,* regional or light industrial operations. *Retail* refers to delivery of across-the-counter services to community residents. Examples of these retail services are DSHS Community Service Offices, Employment Security Job Service Centers or Department of Licensing Drivers Licensing Examining Offices. Other office facilities beyond the scope of this study and not included in this recommendation are the Olympic Region of WSDOT or other agency regional headquarters, and light industrial operations such as those of DNR, State Patrol or GA.

[4] This is less than 40% of the space and 1/3 the number of office buildings built during 1990-2000.

[5] Every two years the 10-year plan would be modified to reflect new state requirements and conditions that were previously unknown. It is understood that only in the budget biennium (in this case, the 2001-2003 biennium) will there be actual development or acquisition authority, and that the last four biennia will be advisory.

Figure 25. **New Facilities Development Plan**



Project Descriptions: Development projects during the first six years are proposed for the Department of Health (DOH), a Small Agencies Building (which would co-locate up to 30 very small agencies), and an addition to the Labor and Industries (L&I) building. In the fourth and fifth biennia, other proposals will be developed for the Parks and Recreation Commission (Parks), the Washington State Patrol (WSP), DOT or Department of Corrections (DOC).

Development projects during the first six years are proposed for the Department of Health (DOH), a Small Agencies Building (which would co-locate up to 30 very small agencies), and an addition to the Labor and Industries (L&I) building.

Priority agencies for backfill of renovated privately owned space are Office of the Administrator for the Courts (OAC), Department of Revenue (DOR), and Office of Administrative Hearings (OAH).

01-03 Biennium

Private development of the first 165,000 RSF phase of a planned 297,000 RSF office complex in the Tumwater Preferred Development Area. This initial phase will consolidate the customer service-related headquarters functions of DOH. The Governor's budget proposes $1,375,000 for DOH in their operating budget for project management and consultant support. Additional funds will be requested in the 2003-05 biennium for one-time costs and higher rents.

03-05 Biennium

Either state or private development of a 163,000 RSF office in Olympia near the Capitol Campus or in the north downtown area of Olympia to co-locate up to 30 small state agencies, boards, and commissions. As many as 30 small leases could be eliminated as a result of this co-location. A $190,000 planning appropriation has been requested by the Governor for GA to prepare a project proposal for executive and legislative consideration in 2003.

Additionally, the second phase (137,000 RSF) of the privately developed DOH co-location in Tumwater will begin. Office space vacated by DOH will provide consolidation and co-location opportunities for OAC and DOR.

The rate of technological change makes comprehensive planning imperative.

– Developers Forum

05-07 Biennium

State development of a 107,000 RSF addition[6] to the L&I headquarters in Tumwater. Approximately 200 staff in the current building and 70 staff at L&I's Capital View II building would be relocated into the new addition. About 70,000 square feet of this addition would accommodate L&I growth well into the future. L&I would sub-lease space to other state agencies in the interim. Some secondary consolidation may be possible for DSHS or DOT, the other Capital View II tenants, by back-filling vacated L&I space. Approximately $600,000 would be needed for pre-design in the 03-05 biennium, and approximately $36 million in 05-07 to finance and furnish the addition.

07-09 Biennium

One or two state or private multi-agency office developments of 50,000 to 150,000 RSF in a preferred development area (PDA) or preferred leasing area (PLA) in Thurston County. Candidate tenant agencies are Parks, WSP, DOT and DOC. Up to $800,000 for planning would be required in the 05-07 biennium.

09-11 Biennium

One or two state or private multi-agency office developments of 50,000 to 150,000 RSF in a PDA or PLA in Thurston County for these same candidate agencies. Up to $800,000 for planning would be required in the 07-09 biennium.

Agencies individually don't have resources to do long-range planning.

– State Agency Forum

State Planning: The study has clearly highlighted the need for long range state government headquarters office planning. Long range planning staff and funds for pre-project planning are essential to accomplish this goal.

The Governor has requested $235,000 in 01-03 for dedicated GA staff to complete and maintain the long-term renovation plan and new development plan.

The Governor has requested $235,000 in 01-03 for dedicated GA staff to complete and maintain the long-term renovation plan and new development plan presented above. GA does not have other staff to dedicate to this long-range new development planning work.

[6] The L&I addition would house approximately 730 staff. Initially this would be a combination of L&I and other agencies.

The Governor has requested $1,375,000 for DOH project planning and $190,000 for the Small Agencies Building project proposed for 03-05.

The Legislature must also appropriate sufficient study, feasibility and pre-design funds or authority to enable state agencies, GA and the Governor to realize the study's objectives. The Governor has requested $1,375,000 for DOH project planning and $190,000 for the Small Agencies Building project proposed for 03-05. Additional planning funds will be required by agencies seeking new lease development projects. A typical new 100,000 RSF private office development would require approximately $500,000 for planning.

The study also proposes that GA develop a 2002 Legislative proposal to create an Office Development Revolving Fund that could serve as a reimbursable source of capital from which agencies could borrow in order to plan for new office buildings.

Action Requested of the Legislature

In order to fully implement the study recommendations, the Legislature should take the following actions:

Specific Legislative Actions

1. **Adopt a 10-year office renovation plan in the capital budget.**
2. **Appropriate 01-03 biennium funds for the following projects:**
   a. Continuation of OB-2 Renovation
   b. Continuation of DOT Building Renovation
   c. Beginning of Legislative Building Renovation

3. **Adopt a 10-year office development plan in the capital budget.**
4. **Appropriate 01-03 biennium funds for the following:**
   a. Project planning for DOH in the operating budget for a new leased building to be started in 2002.
   b. Additional GA staff for long range planning.
   c. Project planning for a Small Agencies Building to be considered by the 2003 Legislature.

Other Legislative Support

1. **Direct GA to present 2002 legislative proposals for the following:**
   a. Eliminate "free" parking without penalizing state employees.
   b. Provide state agencies the authority for equivalent value exchanges similar to existing WSDOT authority.
   c. Establish a regular inspection program of owned and leased buildings in order to assess the need for rehabilitation or improvement.
2. **Direct state agencies to implement shared zone parking and a single coordinated Transportation Management/Commute Trip Reduction program at existing office work sites.**
3. **Support Executive initiatives to:**
   a. Implement High Performance Building standards for state leased and owned offices.
   b. Extend planning beyond 10 years.
   c. Coordinate planning for non-office facilities.
   d. Develop coordinated employment forecasts.
   e. Develop self-financing mechanisms for agency planning.
   f. Provide financial incentives to employees who use other transportation alternative than driving to work alone.
4. **Support a joint DNR/GA analysis of the Capitol Building Trust and implement its recommendations.**

"The state should neither build surface parking nor build parking structures. Let the market determine if parking is 'necessary.' If the state continues to provide 'free' parking, demand will rise to meet supply. 'Free' parking costs the state between $300 and $600 per car per year. It imposes far higher costs on local governments for road maintenance and expansion."

– Public Forum

Actions Planned by General Administration

GA will implement the 32 actions summarized below upon adoption of the Recommended Facility Development Program by the Legislature.

The director of the Department of General Administration is given the statutory authority to plan, establish standards, locate, lease, purchase or build facilities to implement this Program in the most cost-effective way. To the extent that GA's limited resources permit.

- Planning will be re-focused to implement this plan,
- New standards will be formally established,
- Siting decisions will be made consistent with location policies established by the State Capitol Committee, and
- Leasing investment decisions will be made using improved economic and budget analysis tools approved by OFM. The JLARC lease versus ownership model is one such tool.

GA will implement the 32 actions summarized below upon adoption of the Recommended Facility Development Program by the Legislature.

Planned GA Actions

Relationships

1. Continue planning with state agencies, local government, private landlords and developers, the community, and legislative and OFM staff.

Existing Owned and Leased Facilities Management

2. Develop 10 year plans to rehabilitate older state owned and leased office buildings, working closely with building owners and state tenants.
3. Substantially reduce the number of leases of less than 5,000 square feet as leases expire.
4. Continue moving headquarters operations out of shopping centers into more suitable office building locations.
5. Develop a plan to swap leases between agencies to achieve a higher degree of agency consolidation and co-location.
6. Notify property owners at the earliest possible time when the state does not intend to renew its lease.
7. Implement a priority leasing program to re-lease space vacated when state agencies consolidate.
8. Complete a review of the state's lease document to ensure that the obligations and responsibilities of each party are clear.

New Facilities Development

9. Develop leasing proposals for terms beyond 10 years when such leases are cost effective.
10. Modify the lease development process to give the state more control of the design and development of the office building.
11. Complete a new *Major Lease Request* process.
12. Work with local governments to jointly develop office support facilities such as regional storm water utilities and municipal parking garages.
13. Develop coordinated OFM/GA/Legislative state employment and space forecasts.
14. Consolidate space requests into fewer solicitations, resulting in larger, multi-agency office buildings.
15. Develop "trigger point" criteria to identify when to consolidate facilities and when to purchase leased buildings.

Performance and Quality Standards

16. Adopt common standards for new owned and leased facilities over 50,000 square feet.
17. Improve the "civic" appearance of new state leased buildings through coordinated design reviews.
18. Require conceptual campus site plans during pre-design or procurement decisions.
19. Implement new building space standards.
20. Develop improved life cycle cost and budget impact models.
21. Apply JLARC *Lease Versus Ownership* financial model and other life cycle cost and budget analysis tools to state office building decision-making. Use state cost experience and standards, and include periods of analysis that extend beyond the typical 20-25 year debt term to a longer planning horizon corresponding to a building's full service life.
22. Adopt new initial and recurring cost standards.
23. Adopt new technical and performance standards for technology, security, access, utilities, health, land use, and building service life.
24. Provide pre-lease design review services if requested by developers who intend to seek city site plan approval or to speculatively build office buildings.

State Facilities Siting

25. Implement Preferred Development Area and Preferred Leasing Area location policy with GA procedures preliminarily adopted in August 2000.
26. Develop standardized state office site evaluation and location criteria.

Cost of High Performance Buildings

27. Continue to pursue development partnerships with private businesses and local governments in order to keep state costs as low as possible.

28. Adopt policies so that the state does not "collateralize" private office buildings financing.

Transportation Demand Management (TDM)

29. Integrate TDM plans with facility site planning in conjunction with cities and property owners.

30. Adopt TDM and parking performance standards for new owned and leased facilities.

31. Adopt building design standards that encourage the most intensive use of public transportation and other alternative transportation modes.

32. Require shared zone parking and a single Commute Trip Reduction (CTR) program at all **new** multi-agency state-owned and leased work sites in Thurston County.

If the Recommendations are fully implemented, the following results will be achieved:

1. **Clear Legislative Direction**. Adoption of comprehensive 10-year renovation and new development plans in the capital budget will allow state agencies to plan more efficiently. Dedicated long-range planning and development staff will help agencies achieve this goal.

   Legislative continuity can be provided by:

   - Laying the groundwork during the 2001 session for legislative proposals to be considered in 2002.
   - Providing clear direction to state agencies about TDM and CTR expectations.
   - Supporting planned actions by the Executive branch in the areas of higher building standards; long range, coordinated planning; and financing agency planning.
   - Supporting joint DNR/GA analysis of the Capitol Building Trust.

2. **Better State Office Buildings**. Executive initiatives to lease or develop better state offices will create greater public value and benefit by more effectively:

   - Improving citizen access and services.
   - Minimizing state and local long-term costs.
   - Improving agency efficiencies.
   - Providing more productive work environments.

3. **Improved Community Development**. Coordinated implementation of the Recommended Program will support a pattern of community development that will improve the urban environment by encouraging:

   - Less sprawl.
   - Better land use.
   - Fewer impacts on transportation systems and other elements of public infrastructure.

These results can only be achieved if both the Legislative and Executive branches take action. The alternative is less Legislative and Executive control, more agency inefficiency, poorer customer service, lower building quality, sprawl, and a degradation of the urban environment.

Results can only be achieved if both the Legislative and Executive branches take action…

Parking fees need to be increased. Parking fees need to be consistent for all Thurston County state employees whether in leased facilities or owned.

– Local Government

"We look forward to continued active participation in your proposed Actions to Implement Facility Development as outlined in your Final Report to the Legislature."

– GBOLA